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Role of Legislation Council at Justice Ministry
92BA0691A Sofia DUMA in Bulgarian 25 Feb 92 p 4

[Editorial by Vasil T. Vasilev: "Hopes for Harmony in Legislation"]

[Text] The Council of Ministers created the Legislation Council under the Ministry of Justice with Decree No. 20 of 31 January 1992. The Legislation Council is a necessity, and, in order not to substantiate this at length, we will use what was said at the discussions on the Law for Codification that created the Codification Commission at the 17th General National Assembly in 1915-16.

Khristo Popov, then minister of justice, said about Bulgarian laws that "they are an unfortunate compilation of 13 codes. Wherever someone was raised, whatever he read, whatever he liked was put into the law, and thus, we have our motley legislation." And Prof. Josif Fadenkhekht added: "Every time one speaks of the weaknesses of our legislation, one emphasizes the lack of planning, the lack of unity in the concepts, drawn from those foreign sources, from which Bulgaria as a young country entering late into independent political life was forced to draw."

Even then, Teodor Teodorov designated the institution of a similar council or commission as "a collective, necessary to the legislative activity of the National Assembly and to the legislative initiative of the government, necessary for the good of our country." Why this can and has to exist is explained by the legal powers of the newly formed Legislation Council. It drafts, on the recommendation of the Council of Ministers and the Ministry of Justice, bills and normative acts; presents opinions concerning the necessity, constitutionality, and legality of bills, international agreements, and sublaw normative acts prepared by the ministries and other administrations before their introduction for review in the Council of Ministers; and makes proposals to change and systemize legislation in accordance with the demands of civilian society and the market economy. The Legislation Council gives opinions concerning the country's joining international conventions and on changes that must be implemented in legislation as a result of the acceptance of these conventions, studies the results of the application of the laws, and studies foreign legislation and experience with a view toward using them in Bulgaria.

To carry out its activities, the Legislation Council is divided into five sections: civil and commercial law and civil process; criminal law and criminal process; constitutional, judicial system, and administrative law and administrative process; labor law and social legislation; and international public and private law.

In the Legislation Council, chaired by the Minister of Justice, permanent members provided in the approved staff of the ministry, and nonpermanent members designated by the Minister participate.

To organize, distribute, and carry out its work, the Legislation Council approves internal rules, but some of these are already fixed by the Council of Ministers' decree. Bills and sublaw normative acts are submitted to the Legislation Council by the ministries and departments after agreement with the other interested ministries and departments and are accompanied by information on the remaining unsettled dissensions. Bills and drafts of sublaw normative acts are introduced for review in the Council of Ministers only after review in the Legislation Council.

Time will tell what the Legislation Council will give to our legislation. Our expectations, however, are great. Because, to quote Teodor Teodorov again, "our legislative assembly, as a rule—let no one take offense at this, is not sufficiently prepared to create technical laws; if these laws are not drafted in advance by a commission of specialists experienced with the material, for example a law for civil proceedings, or a law for criminal proceedings, and all such laws—here, under the conditions of debate, under the conditions that these issues are being hastily decided, with a chance majority, and who is present when, and who is absent, you will never be able to have one good law."

Trenchev Interviewed on Relations With Government

AU1404142292 Sofia PODKREPA in Bulgarian 7 Apr 92 pp 1-2

[Interview with Dr. Konstantin Trenchev, president of the Podkrepa Labor Confederation, by Angel Kolev in Sofia on 6 April: "Prudence Always Wins, Podkrepa Made No Mistake"]

[Text] On 6 April, some 20 reporters succeeded in overcoming the resistance of the national television crew, which as always enjoyed preferential treatment, and entered the VIP room of Sofia Airport, where Dr. Trenchev, president of the Podkrepa Labor Confederation and vice president of the International Confederation of Free Trade Unions, rather tired from his transatlantic flight, was answering questions.

The questions were fired one after the other, the interest of the reporters being provoked by the recent events in the country, and, especially, the lightninglike strike of the Podkrepa miners.

[Kolev] Was the strike a victory or a defeat?

[Trenchev] Unfortunately, I was far away, and I do not have any details; thus, I find it difficult to assess the strike. Nevertheless, I think that honesty is the best policy and that the one who speaks the truth will be understood sooner or later. At present, the emotional arguments have the upper hand, but, in the final account, prudence will prevail. You know that Podkrepa made no mistake.

[Kolev] Why was the strike not a political one?

[Trenchev] The analysis of the government's work until now does not produce a pretty picture, and, to repeat something that we said many times in the past, we think that the subjective factor does not function well, especially in anything related to the work of the economic team. The strike was not a political one because the interests of the people were hurt. Every government likes to present every criticism of its activity as a political demand, rather than as a realistic assessment of its activity. Even Western governments react in the same manner, although perhaps not with the same methods.

[Kolev] Is the agreement with the government a good one?

[Trenchev] I am not familiar with it, and I find it difficult to comment on it. I am familiar with its general character and know that it has nine clauses, but I do not know the details.

[Kolev] The recognition of the International Confederation of the Free Trade Unions placed us ahead of other trade unions such as Solidarity and the Czech-Slovak Confederation of Trade Unions. You are now vice

president of the International Confederation of Free Trade Unions. Will you direct the activity of the so-called East European trade unions from your post, or will you consult them?

[Trenchev] My election as vice president of this great international organization represents a positive assessment of Podkrepa's activity, and, in this sense, it is great recognition. We have not yet discussed who will deal with what, but I know that I will have to attend the meetings of the organization's Executive Council, and this means much more work. Our assessment of the activity of the East European trade unions, especially those in the former USSR, Romania, and Albania, will be taken into consideration because we are very close to those countries and can assess the existing situation there.

[Kolev] How will you begin your activity?

[Trenchev] I will study the situation because I know about the developments only in general terms. I am not familiar with the details.

Foreign Ministry Rejects Liechtenstein's Claims

AU1504085592 Prague MLADA FRONTA DNES
in Czech 10 Apr 92 p 3

[Report by "vib": "Unfounded and Distorted Conclusions; Federal Ministry of Foreign Affairs on the Demands of Liechtenstein"]

[Text] Zdenek Zikmund, director of the Federal Ministry of Foreign Affairs press department, yesterday replied to a MLADA FRONTA DNES question regarding the ministry's reaction to the interview with Prince Hans Adam II of Liechtenstein that was published in the newspaper LIECHTENSTEINER VATERLAND. We published excerpts from this interview [in which the prince reiterated his family's claim to 160,000 hectares of property in Czechoslovakia] on Tuesday, 7 April.

"I consider the conclusions arising from the interview to be distorted and unfounded. The CSFR has several times declared its interest in developing mutually beneficial relations with Liechtenstein. We consider the principality to be an equal and full-fledged member of the international community. Regrettably, our mutual relations are stigmatized by relics of history. We are of the opinion, however, that any projection of these relics does not correspond to the interests of the two countries.

"As for the confiscation of the property of Prince Franz Josef II, I cannot but reiterate that Czechoslovak legislation does not permit any restitution of property if the claimant does not possess Czechoslovak citizenship and does not reside on our territory, and if the claim dates back to the period prior to 25 February 1948. The prince's property was confiscated in June 1945 on the basis of the fact that, in the 1930 census, the owner declared himself to be a member of the German nationality. The Czechoslovak Foreign Ministry therefore respects the framework determined by our internal legislation."

SDL Position on Slovak Sovereignty Declaration

AU1304150392 Bratislava PRAVDA in Slovak 6 Apr 92
p 3

["Text" of Party of the Democratic Left statement]

[Text] The Party of the Democratic Left [SDL] is an active force in Slovak emancipation policy. In constitutional issues, it supports solutions that strengthen executive powers and equal status for both republics in a common state.

During two years of work in the legislative bodies, the SDL deputies helped, to a significant extent, explain and assert national and state interests. The SDL presented constitutional bills to its political partners in the Federal Assembly and in the Slovak National Council, and suggested a course of action to be taken for the adoption of new CSFR and Slovak constitutions. They asserted the principle of ratification, where amendments to the

CSFR Constitution could be adopted only after their approval by the Czech and Slovak National Councils.

The government coalition is to blame for having wasted the opportunity to achieve a qualitatively new shape of Czech and Slovak federalism, and to stabilize the situation in central Europe on the principles of equality and efficient cooperation between the Czech and Slovak Republics.

The national and state SDL policy, and its policy regarding national minorities, is based on the principle of a common state—a common state established from the political will of the Czech and Slovak nations, on the principle of equal standing of the Czech and Slovak Republics, and on the principle of respecting the rights of national and ethnic minorities according to the European standard.

The SDL leadership states that the constitutional law on the Czechoslovak federation enacts the political sovereignty of nation-based states, and this is why the political declaration on Slovak Republic sovereignty is not an unconstitutional act. At the same time, however, the SDL is stressing that the draft declaration on sovereignty in the Slovak National Council was not prepared well or considered in a politically responsible way.

The SDL insists on taking all steps regarding the constitutional arrangement in a politically considered way, in a dignified and civilized manner, and in conformity with the Constitution. The SDL is in favor of holding new talks between representatives of the Czech and the Slovak Republics, representatives who will emerge from the parliamentary elections in June.

The SDL enters the elections with the slogan "For a New Federation." The time has come to overcome constitutional problems and fully devote our efforts to solve the social and economic hardships of the Slovak people.

Entrepreneurs' Party Leader on Prospects, Slovakia

92CH0428A Prague LIDOVA DEMOKRACIE in Czech
14 Mar 92 pp 1, 3

[Interview with Rudolf Baranek, chairman of the Czechoslovak Entrepreneurs' and Small Businessmen's Party, by A. Vlckova; place and date not given: "The Menacing Danger of Moravian-Asian Frontiers"—first paragraph is LIDOVA DEMOKRACIE introduction]

[Text] Our foremost economists unanimously regard 1992 as the pivotal year for our economic reform. During it a historical transfer of state property into private hands will take place, which will enhance the importance of the private enterprise sector. The elections to the parliament are just three months away—their results will determine the direction our state will follow in the coming years as well as the success of our economic reform. Politics and economy are two sides of the same coin, and the Association of Czechoslovak

Entrepreneurs in the Czech Republic recognizes this fact. Having struggled for two years for the adoption of important economic laws—for instance, on restitution, on privatization, the land law, and so on—it does not intend to leave anything to chance and therefore, it gave impetus to the launching of a new party—the Party of Czechoslovak Entrepreneurs and Small Businessmen—which took place in Pelhrimov on 23 February. Its chairman, elected by the majority—94 percent—of votes, is Rudolf Baranek, the chairman of the Association of Czechoslovak Entrepreneurs in the Czech Republic. Our interview with him was supposed to deal with the most urgent problems the entrepreneurs have to tackle today, but we could not avoid discussing the emergence of entrepreneurs on the political scene.

[Vlckova] Mr. Chairman, one hears that first of all, entrepreneurs mind their business and not dabble with politics. Even some entrepreneurs share that opinion. What motivated the Association to launch a party?

[Baranek] On the one hand, in the past two years our experience with the current ruling establishment has been extremely disheartening, and on the other, we are concerned about the further development of this state. For two whole years we could not find one party we could trust. We can no longer afford the luxury of hearing from a balcony nothing but promises whose only intention is, "Make haste and vote for us, and then stop bothering us."

[Vlckova] Will members of the Association constitute the membership base?

[Baranek] The Association and the party are two completely different entities which cannot and must not be fused. I will be glad if members of the Association support the party, but I shall appreciate just as much any member of the Association who chooses another political road. I can only welcome it if entrepreneurs reach the parliament by different ways. Some entrepreneurs, mainly those from a certain right-wing party, think that there was no need to organize our party. I cannot understand why a private entrepreneur, who knows what we had to fight for over two entire years, would now want anybody else to speak for us.

[Vlckova] Have you decided to enter the elections together with the ODA [Civic Democratic Alliance] rather than independently....

[Baranek] I see the coalition with the ODA as a start of a strong and decent right-wing bloc. Therefore, there will be no danger that the right wing will not become dependent on a single individual who could be shot down a week before the elections. Besides, the other right-wing bloc—namely, the ODS [Civic Democratic Party]—does not speak for all right-leaning citizens whose view of the world differs from that of the ODS.

[Vlckova] The People's Party [CSL] holds a different view as well....

[Baranek] I welcome the signal sent in our direction by Mr. Baudys, the deputy prime minister of the Czech government and the chairman of the CSL regional organization, who in Pelhrimov very explicitly indicated that he saw the coalition of three parties—ours, the ODA, and the CSL—as ideal. I consider this an immensely interesting idea. I am sure that at this moment it would be a victorious coalition, but there is one hitch. The establishment of this coalition is obstructed by certain so far unclarified matters.

[Vlckova] What specifically?

[Baranek] Above all, by the opinion about certain individuals in the CSL with whom I would not join in a coalition. All I can say is that I will always be glad to deal with such gentlemen as Messrs. Lux, Baudys, and Mensik. I don't know whether the idea of a coalition with the CSL will come true before the elections but in any case, such a bloc would be strong enough to withstand jolts both from the right and from the left. It would be a stabilizing bloc against the arrogant left as well as against the arrogant right.

[Vlckova] Before we get to economic problems I should like to ask what is the position of your party on the constitutional arrangement.

[Baranek] We are the Party of Czechoslovak Entrepreneurs and Small Businessmen. From that very title it is obvious what we want our state to be. We regard the meeting in Milovy as the latest in an endless series of negotiations. The period when "yes-but" is constantly repeated must come to an end. It is time to state clearly how to proceed. We want a common state but certainly not at any price. I insist that if we shall not succeed in preserving a common state with Slovakia, then we'd better promptly prepare for the danger that Moravia will border on Asia. If Meciar wins the elections in Slovakia, I don't see any other possibility. Our party will enforce a provincial arrangement for the historic countries of the Czech crown, in other words, of Bohemia, Moravia, and Silesia. As a Moravian patriot, though not a nationalist, I have resided already for two years in Bohemia and therefore, I know that this should pose no problem. Anyone who would want to make a big deal of it is a scoundrel and saboteur.

[Vlckova] Enough of politics, let us now take a look at economy. A new law on employment, in force since 1 January, abolished the so-called black system. Entrepreneurs are complaining that they do not have enough time and information to adapt their relations to their employees in accordance with this law. You have discussed this matter with the ministers of labor and social affairs. What was the outcome?

[Baranek] I pointed out to both Mr. Miller and Mr. Horalek that an interim period of at least six months is necessary for the transition to the employment system. The law authorizes labor bureaus to oversee the implementation of the law on employment in private companies. They may assess a Kcs250,000 fine for the first

ascertained violation and as much as 1 million for repeated violations. I said that if the officials fulfill their task zealously, there is a danger that small companies will go under and large companies will be trimmed down, and consequently, 80,000-50,000 employees may lose their jobs. That would be an enormous blow to private entrepreneurship, employment, and democracy. Today labor bureaus in the Czech Republic already have an interpretation of this law which states that during inspections from January to March officials of the labor bureau are entitled to stipulate a term of one to three months for correction of ascertained shortcomings without imposing a fine. That is a very wise decision and as chairman of the Association I am very pleased with it.

[Vickova] The Association is known as a great fighter for the law on chamber of trade. However, some people say that the organization of such chambers will mean the end of the Association....

[Baranek] It is self-evident that the Association will not be dissolved. As the Association of Moravian and Silesian Entrepreneurs and all other groups within it, it will continue to represent entrepreneurs in dealing with the government, trade unions, and state administration. The Association had fought for the law on Czech and Moravian chamber of trade for more than a year. The economic council of the Czech government already approved its proposal which contains essentially all our demands; after it is approved by the government, it will go to the Czech National Council [CNR]. In my view, time is ripe for the CNR to approve this law in its current version. By that I mean mandatory membership in the chamber. The deputies know what we want and why we want it. I am an optimist and as such, I believe that the law will be adopted in April. For that reason we submitted to the Federal Assembly a draft of an amendment to the law on small businesses, because these two laws must be interrelated. Of course, this is only a partial amendment in which we tried to capture the most conspicuous shortcomings. This law by itself is such a misfit that it cannot be properly amended. Immediately after the elections we must draft a completely different law and toss this one ceremoniously in the wastebasket.

Disunity Seen as Source of Slovak Inertia

92CH0433A Bratislava SLOBODNY PIATOK in Slovak
20 Mar 92 p 1

[Article by Milan Zemko: "Let Us Think of Slovakia"]

[Text] At the beginning of this century it still seemed that the Slovaks were hitching a ride on the bumper of the last car of a train called Europe, and that it was only a question of time when they would fall off. The despair and hopelessness of the Slovak national life culminated during the years of World War I. At that time (as SLOVENSKY TYZDENIK in those days testified) the more lively and sensitive among the Slovaks would

anxiously ask, "Will it ever be possible to wake up from this groundless lethargy, from this blight lacking any ideals and aspirations?"

Nevertheless, it was World War I which caused—with the aid of the Slovaks abroad and of Slovak legionnaires—a considerable upturn in our nation's unfortunate destiny. The founding of Czecho-Slovakia not only saved the Slovaks as a specific national entity but also provided them with unprecedented incentives and opportunities in nearly every area of life germane to a modern European nation.

I say "nearly every area" intentionally because despite every positive and very significant change stemming for the Slovaks from their coexistence with the Czech nation, there remained and still remain whole areas in the life of the state in which the central power regards Slovakia as a mere object of interest in terms of a province. According to the Czecho-Slovak constitution still in force, all essential issues in the economic area, foreign policy and defense are directed to and resolved by the Prague center of our common state and naturally, all important legislation is enacted there as well. Although through the SNR [Slovak National Council] and government Slovakia can express its views on every issue, the Prague centers do not necessarily have to take its attitudes under consideration. In this sense Slovakia appeared in the past and continues to appear in the position of a province, and the role left to the Slovaks is one of a provincial nation. They no longer need to struggle for bare living and for their national survival, but neither do they belong among European nations that hold in their own hands all political institutions and mechanisms essential for the sovereignty of a modern nation.

The objection may be posed that the representatives of the Slovak Republic serve in central offices of the federation. However, why harbor any illusions about that? In a union of two unequal partners—unequal according to all relevant parameters—one cannot speak of an equal partner. In other words, in a long-lasting unequal relation the character of declared equality becomes formal and even ornamental. In the end, the representatives of the weaker partner in the center of power adjust to the needs and demands of the stronger partner—after all, they are playing in his playground and according to his rules. Even by the fact that some Slovak politicians are participating in the game with sincere conviction and enthusiasm can change absolutely nothing about that.

It is part of the Slovak destiny that from times immemorial our politics lacked authenticity; they were so in the days when Slovakia had almost no share in the state power and meant nearly nothing, but also in times when Slovak politicians were invited to share power, which has been true since the founding of the Czecho-Slovak state. Today Slovak politicians, particularly on the federal level, still are the weaker partners in a kind of a schizoid position. It was and still is their foremost task

and duty to formulate and to assert Slovak national interests, but the force of (Prague) conditions, often described as natural and inevitable, compels them to derive Slovakia's interests from the naturally higher state-wide interests which are basically the interests of the stronger partner.

Slovak politics on the federal as well as on the national level suffer in two ways from constant derivations of its attitudes and procedures. The pro-government policy is a mere derivation of the center's policy, yet the opposition policy, too, is defined mainly according to the policy of the ruling center and represents its unoriginal copy without a distinct and, above all, revised character of its own. Moreover, because the Slovak ruling politicians do not bear full responsibility for the operations of the government and for the life of the country, and the opposition politicians cannot try to assume full responsibility, completely unbridled special party and individual interests are imposed on the Slovak political scene. To this day Slovakia's politicians—and it seems, also its public—have not fully assimilated a genuine attitude of statehood, which is completely natural in countries with their own state traditions and which represents one of the basic principles of a mature political culture: However intensive the controversies and rivalries between the parties and politicians may become, they cannot endanger vital interests and thus, the very existence of the nation and state.

Thank God, as this century ends, we no longer are hitching a ride on the bumper of the last car of a European express train. I dare say that as a nation, we are better off than ever before. For the first time in history our own (real and potential) power and the international situation enable us to shape our life according to our own will and ideas. And yet, our deep-rooted disunity in the most elementary matters, in our views on our future, threatens us with the fate of Europe's eternally lost sheep, of an ethnic who cannot decide what he wants and where he wants to go.

I am afraid that the impending political developments in connection with the elections will again confirm this impression about us to our neighbors far and wide. So much more so should we all—Slovak citizens whatever our position and wherever we may be—think today of our country, Slovakia. Let us think about its future which must be prosperous, democratic and free.

Protocol on Housing Construction for Soviet Troops

AU1104181392 Prague SVOBODNE SLOVO in Czech 8 Apr 92 p 7

["Text" of Protocol on the Participation of the Czech and Slovak Federal Republic in Constructing Housing on the Territory of the Russian Federation for Soviet Troops Withdrawn From the CSFR—signed in Moscow on 1 April]

[Text] In harmony with Article 5 of the Agreement Between the Government of the Czech and Slovak Federal Republic and the Government of the Russian Federation on Regulating Property and Financial Issues Pertaining to the Withdrawal of Soviet Forces From the Territory of the Czech and Slovak Federal Republic, the CSFR and Russia have agreed on the following:

1. The Czechoslovak side will participate in the construction of housing for the troops withdrawn from its territory to the territory of the Russian federation.
2. To implement point No. 1 of this protocol, during 1992 the Czechoslovak side agrees to supply the Russian side free of charge with building material and equipment worth 300 million korunas. Negotiations will be held on increasing this aid above 300 million korunas when the sale of all the former property belonging to the Soviet forces exceeds one billion korunas.
3. The specific terms for the participation of the Czech and Slovak Federal Republic in the construction of housing in accordance with points No. 1 and 2 of this protocol will be agreed upon by authorized organizations from both sides within 30 days from the day this protocol is signed.

Banking Council on 1991 Monetary Development

AU1304080592 Prague HOSPODARSKE NOVINY in Czech 7 Apr 92 p 2

[Report by "MS": "Session of the Czechoslovak State Bank Banking Council"]

[Text] At its meeting yesterday, the Czechoslovak State Bank [SBCS] Banking Council discussed a report on monetary development in Czechoslovakia in 1991. According to the new law on the SBCS, the report will be submitted to Federal Assembly and Czech National Council and Slovak National Council deputies. The general public, too, will shortly be acquainted with the report.

The aim of monetary policy in 1991 was to give support to economic reform by establishing favorable macroeconomic conditions, particularly by means of the internal and external stability of the currency's purchasing power. This objective was achieved, in spite of exceedingly difficult external conditions.

At its meeting yesterday the SBCS Banking Council also decided to issue a banking license to the Slovenska kreditna banka [Slovak Credit Bank], with its head office in Bratislava. The main shareholders of the bank, whose startup capital is 411.5 million korunas, are organizations with a seat in Slovakia. The bank intends to provide comprehensive banking services, with priority to be given to clients in the consumer goods industry, primary agricultural production, and the communal economy.

The Slovenska kreditna banka is the 44th bank to operate in Czechoslovakia and the ninth to operate in the Slovak Republic.

The Banking Council discussed, in addition, the planned establishment of the Malaysian Bank in Czechoslovakia, which would also be that country's first bank on the European continent.

Trade Unions, Government at Cross-Purposes

92CH0374B Paris LE MONDE in French 4 Mar 92
p 23

[Article by Catherine Monroy: "Relations Between Czechoslovak Government and Trade Unions Deteriorate"—first paragraph is LE MONDE introduction]

[Text] On 10 February, more than 80 percent of Czechoslovakia's bus drivers went out on a one-day strike to protest the 100-percent increase in public transport fares set to go into effect in March. The entire transport sector is expected to support a new strike scheduled for 10 April. Such events would be unimportant but for the fact they mark a rupture with the consensual policy followed up to now by the Czechoslovak trade unions....

Several months ago, in November 1991, Czechoslovak train operators threatened to go on strike. In January, air traffic controllers made the same threat. At the last moment, they both backed down. The first group were harangued by President Havel himself. The second obtained the dismissal of a high Transport Ministry official.

In 1991, there were no major conflicts, despite the ending of subsidies for staples and the wage freeze that went into effect at the first of the year, resulting in a 50 percent erosion of Czech and Slovak purchasing power. The hardships seemed to have been accepted with fatalistic resignation, as if they were the price that had to be paid to enter "the market era."

Throughout this economic transition period, the president of the Confederation of Czechoslovak Trade Unions, Mr. Roman Kovacs—an obstetrician by profession (medical doctors are still government employees) and former president of the Slovak Confederation—has been a steadfast defender of dialogue since his election in 1990.

The trade unions have been well rewarded for their understanding attitude since, in exchange for keeping the social peace, they have been allowed to hold on to their properties, whereas the other organizations formerly affiliated with the Communist Party had to cede them back. According to Mr. Kovacs, the unions deserve this special treatment: "First of all, these buildings we have were built with money from dues-paying members whom we still represent. At present, we have 7 million 'voluntary' members out of a work force of about 10 million.

Second, thanks to our centers, we are still able to offer members the chance for vacations; in our country, only tourists can afford hotels."

Relations between the trade unions and government began to deteriorate when the rightist parties, which have grown in power since the velvet revolution of autumn 1989, began to challenge the basis of that special status. According to Kovacs, "If our properties were ceded to the state, it would have to reimburse us for the 2.5 billion korunas (500 million French francs [Fr]) the old regime siphoned from the trade union treasuries. I don't think it is ready to do that just now. We have nothing to fear," the confederation president says reassuringly, adding, in a softer voice: "at least until the legislative elections next June."

Unemployment Compensation

The hardening of social policy has become a reality: The gross minimum wage has been limited to 2,200 korunas (Fr440 per month), which means the take-home is equivalent to Fr330. Only profit-making companies with less than 150 employees are allowed to grant wage increases. These restrictions are intended to prevent a resurgence of inflation. The deputies who voted for austerity, however, are demanding a 2,000-koruna hike in their own 13,000-koruna (Fr2,600) monthly salary "due to the increased cost of living."

But probably the most controversial decision was the time limitation on eligibility for unemployment compensation: Since 1 January 1992, benefits have been reduced from a year to six months, and benefits during the first three months have been limited to 60 percent of salary. The reason advanced: Beneficiaries are content to draw unemployment instead of looking for work. This kind of talk enrages Mr. Kovacs: "In Slovakia, where the unemployment rate (11 percent) is three times as high as in Bohemia, there is one job opening for every 30 applicants. I can't see how 240,000 jobless could all find employment at the same time, no matter how hard they try." Thus, on any given day, one-third of the unemployed are receiving no assistance. The law provides for review of exceptional cases, but one can only imagine how long it will take for the bureaucracy to process appeals.

This law angers the trade unions: "We signed the 'gentlemen's agreements' because we thought we had built a relationship of trust with the government. Today we are paying for our naivety: The accords have no legal status, so we are actually powerless," fumes the confederation president.

But no one is thinking of playing the confrontation card: "We will continue to be understanding," Mr. Kovacs says with irony. But trade union leaders intend to create a real parliamentary lobby, by actively supporting candidates with values similar to their own in the June legislative elections. According to Kovacs, "The father of our economic reform (Vaclav Klaus, federal finance minister) is dead set on establishing an outdated form of

capitalism. We're not in the 19th century anymore! There is social dialogue in all the Western democracies. If Vaclav Klaus persists, we will end up a republic on the Pinochet model: a rightist regime, to be sure, but a dictatorship. We would like to avoid that."

Czech, Slovak Ministries Ready for Privatization

AU1504170992 Prague HOSPODARSKE NOVINY
in Czech, Slovak 13 Apr 92 pp 1, 3

[Report signed "(do)" and "(zi)": "Property Summed Up"]

[Text] The book value of the approved privatization projects (for the first wave of privatization) in the Czech Republic amounts to 190 billion korunas. It comprises some 1,000 share holding companies. After updating (31 December 1991), 500 projects were handed over to the National Property Fund.

Czech Privatization Minister Tomas Jezek provided this information by the end of last week. He added that the Czech Republic's share should be about 173 billion korunas. This means that the ministry has a reserve in case courts will not register some companies. Now the stage of updating the projects has begun. The projects will go to the National Property Fund, and from there, to courts.

Foreign capital participates, more or less, in the majority of enterprises in the first wave of privatization, the minister said. There is a group of American experts at the ministry—financed from the American budget within the U.S. AID program—who provide advice regarding the participation of foreign capital. The minister described the role of foreign advisers as indispensable, since they help identify and select foreign partners and carry out the financial transaction itself, of course. Mart Bakal from the group of experts said that foreign investors showed direct interest in 220 Czech enterprises, and in the case of 50 enterprises, the participation of foreign capital was mediated. The market value of the foreign share reached 15 billion korunas, while the book value is 7 billion less. Today, an additional 170 enterprises with 100,000 employees and the book value of 40 billion korunas are on the agenda of the final stage of discussion.

The ministry has worked out criteria for the selection of foreign partners. The most important criterion is the appropriateness of the foreign partner, followed by his financial offer, intentions for the future, and obligations toward the enterprise and employees. In this connection, another adviser to the minister, Ch. Jelinek, said that a group of experts with experience in investment banking is reexamining the projects and their values—the projects were drawn up to order by independent and super-renowned foreign firms—since, according to him, the only "customer" of the advisers is the ministry—and consequently the Czech Republic—while an advisory firm has always one quite specific client. Jelinek drew attention to the fact that if the participation of foreign

capital is not foreseen in a project, then foreign advisers do not participate in its evaluation.

Regarding the complaints by some foreign investors regarding the excessively long time required for the process of approval, adviser M. Bakal said that we are dealing with a quite new and untested process, and this is why efforts by the enterprise, the founding ministry, and the privatization ministry must be coordinated.

When asked for how long will the advisers work at the ministry, Jezek said that they will remain there as long as the American government is willing to provide financial support. Of course, their role will disappear at the moment when the Czech economy is in private hands.

Yesterday, shortly after the noon, we had were allowed to have a look at the database of approved privatization projects at the Slovak Republic Ministry of the Administration and Privatization of National Property. Compared to the originally planned equity of 75 billion korunas designed for coupon privatization, the ministry has prepared an offer that is by 10 billion higher.

According to Minister Ivan Miklos, some reserve was created, in case some companies do not manage to register themselves in time at commercial courts and fail to enter their property into coupon privatization.

A total of 736 state enterprises are prepared for the first wave of privatization in Slovakia, of which more than 650 anticipated in their privatization projects the utilization of the coupon method. After evaluation of the projects, 440 state enterprises were put in coupon privatization, and 551 stock holding companies will be established from them. Exactly 81 percent of them allocated virtually all their equity (except the 3-percent levy to the Restitution Fund) for coupon privatization. As for the remaining shareholding companies, it is assumed that coupon privatization will be used while the state will keep some share in their equity, or some other standard privatization method will be used. Finally, Minister Miklos described the privatization project of the oil processing plant Slovnaft.

In an interview for HOSPODARSKE NOVINY, Minister Miklos summarized experience gained during the approval process of the projects: "Not in all cases, but in most cases, we met with quite a formal attitude toward drawing up privatization projects in enterprises. Many of them contained factual flaws and errors. This is why many projects had to be redone or completed. This is why the entire process of the preparation of the equity for coupon privatization did not proceed as quickly as we originally thought it would. The effect was that many enterprises realized what are the ownership relations and what is under their management. This strengthened my personal opinion that the state ownership creates only little space for real motivation and responsibility."

For the Ministry of the Administration and Privatization of National Property, one part of the work, linked to the first wave of privatization, ended yesterday. "We

continue to evaluate projects designed for direct sale, public competition, and other methods," Minister Miklos said and added at the same time that the ministry is devoting much time to the preparation of the second wave of privatization. "We informed all the ministerial sectors about the changes in the law on large privatization, and we provided an explanation on it. In a few days, on 21 April, we will present in the government a more precise list of enterprise designated for the second wave of privatization. We suggested the completion of ministerial commissions by representatives from the Ministry of Ecology. We made an agreement with the Slovak Antimonopoly Office that enterprises will also present a copy of the project to this office for evaluation.

**Leading Economic Daily Allied With
Eurexpansion**

92CH0374A Paris *LE MONDE* in French 4 Mar 92
p 22

[Letter to the editor by Miroslav Pavel, general director of the publishing house Economia: "Western Groups and Independence of the Czechoslovak Press"—first paragraph is *LE MONDE* introduction]

[Text] Following the appearance of an article entitled "The Difficult Struggle of the Czechoslovak Press for Independence" (*LE MONDE*, 24 January), Mr. Miroslav Pavel, general director of the Economia AS publishing house, sent us the following communication:

The daily HOSPORDARSKE NOVINY is published by Economia AS, a company created in April 1990. Following a capital augmentation, Economia acquired a foreign partner, the Eurexpansion press group—not the Expansion group, as the article indicates. As for Eurexpansion, it has three principal shareholders: Expansion (France), *HANDELSBLATT* (Germany), and Dow Jones (United States).

For the economic daily HOSPORDARSKE NOVINY, this arrangement has opened doors, as it were, to Europe and to the world. Economia AS also produces *EKONOM*, the largest economic magazine published in color. It is produced entirely by the editorial staff, film included, on a Macintosh-based PAO system, the most modern publishing system of its kind in Czechoslovakia. The daily is also produced in part by the editorial staff with the help of computers. Thus I fear that the reference to an absence of effort in this domain was not justified.

Finally, with regard to the "comings and goings of a member of the Servan-Schreiber family and the pontiffs of the group," I would point out that we also receive similar visits from the shareholders of *Handelsblatt* and Dow Jones. As I see it, these visits are instructive and force us to think in market-economic terms. It is a mode of thought which has not been very widespread in Czechoslovakia in recent years. I would say this training in marketing is even more valuable than the capital which Eurexpansion has provided our company, even though the capital too has obviously been useful.

Two Sides View Court Decision on Zetenyi Law**Not Based on Letter of Constitution**

92CH0474A Budapest MAGYAR HIRLAP
in Hungarian 9 Mar 92 p 4

[Interview with Vanda Lamm, international legal scholar and director of the Institute of Law and Political Science of the Hungarian Academy of Sciences, MTA, and with Andras Bragyova, senior expert at the same MTA Institute, by Laszlo N. Sandor; place and date not given: "Only the Last Judgment Could Provide Full Justice to Humanity"—first paragraph is MAGYAR HIRLAP introduction]

[Text] We asked two respected legal scholars to express their opinions about the Constitutional Court decision that struck down the Zetenyi-Takacs law. Our partners in conversation were Vanda Lamm, an international law expert and director of the Hungarian Academy of Sciences [MTA] Institute of Law and Political Science, and Andras Bragyova, a senior expert at the same institute.

[Sandor] Madame Professor, you expressed reservations regarding the legitimacy of the law as early as last year, at the international conference at Prague on the statute of limitations and political crime. What do you think of the argumentation that supported the Constitutional Court's decision to strike down the law on statute of limitations?

[Lamm] The court placed on the table a highly professional document, and the unanimous decision makes it immune to attack. Since the Constitutional Court was under rather heavy psychological pressure, the justices deserve respect because they considered only the Constitution and nothing else. That learned body established a precedent for taking principles seriously, as the court itself held: A constitutional state cannot be established despite constitutional statehood.

[Bragyova] I quoted Karinty as the motto to my article in MAGYAR TUDOMANY concerning the legality of doing justice. "The law is no sacrament, it's more than that: It is a rule." This statement is not only witty, it also is bon mot that expresses a deep thought and that perfectly fits the situation. I should note here that no one could have challenged this opinion even if it had been based on a split decision approved by a simple majority.

[Sandor] The framers of this law and those who railroaded it through parliament argue on the basis of morality rather than law. This is an old dispute. What do you think of this contradiction?

[Bragyova] Most certainly, the sense of justice of many, many people who suffered political injustices will be offended by the consequences of this decision, i.e., that a large number of guilty people may now breathe a sigh of relief because their crimes remain unpunished. And yet, to expect that even the most perfect administration of justice on Earth could satisfy everyone's fair claim for

justice is unrealistic. Only the last judgment could provide full justice to humanity. But this is a tremendous guarantee in terms of human freedom: The subjective judgment of any group of any size is unable to dictate a situation in which anyone violates the objective content of the law. I should note: The proponents of the law did not seek to do justice of a moral character, but instead wanted and continue to want political justice: At best, they only pretend that their political goals were motivated by moral catalysts.

[Sandor] What is the international significance of the decision? Could it be that the precedent that renders retroactive justice impossible was the most important lesson to be learned?

[Lamm] The laws of individual countries in East-Central Europe differ greatly because their histories during the past decades have also been very different. Accordingly, the lessons to be learned from this decision could be applied in other countries only to a limited extent.

[Sandor] Enough avenues remain open after the Constitutional Court decision to determine the moral and political responsibility of offenders on whose crimes the statute of limitations is still running. How could this be enforced?

[Bragyova] Quite naturally, the time factor may force the prosecutors to think twice in such instances. Producing evidence is not a simple matter after 10, 15, or 20 years, regardless of how thorough the investigation is. The Constitutional Court decision reinforces the principle of our constitutional statehood.

[Lamm] Let us add here: A consistent enforcement of the principle of protecting the innocent demands that as long as a charge filed against anyone is not proven, such person cannot be regarded as guilty. It is yet another matter that proving someone's guilt after an extended period of time is difficult from the outset.

[Sandor] But perhaps the dispute stirred up regarding the administration of justice is not complete. Ruling party politicians repeatedly claim that they will find legal formula as a result of which they will be able to observe the principle of constitutionality and still enforce the sense of justice they represent, and that they will present the guilty to the courts. Is there a chance for that?

[Lamm] There is no chance the way the Zetenyi law was worded. The path before the kind of "doing justice" advocated by the Zetenyi law, or its analogue, is closed forever. Nevertheless, last Thursday we could hear on TV's "Firing Line" that Zetenyi's group has some ideas....

[Bragyova] This was a very general statement by Zsolt Zetenyi. Zetenyi and Takacs could indeed have had some ideas when they wrote their legislative proposal. But they chose to introduce this particular proposal because they felt that the implementation of this alternative was most realistic from the legal standpoint. To be

frank, the proposal was cleverly put together from the standpoint of legal craftsmanship, and by no coincidence, lawyers in parliament opposed to the proposal were unable to find a single paragraph in the Constitution based on which the law could have been declared unconstitutional from the outset. The Constitutional Court demonstrated the repugnancy of the legislation to the Constitution of the Republic in terms of its entire concept. Most certainly, Zetenyi and Takacs introduced this particular alternative because it could be defended most easily. It would have been more difficult to defend the other alternatives.

[Sandor] What else could follow?

[Lamm] Arguing for the absurd, there could be an alternative which regards criminal acts committed in 1956 and thereafter as genocide. Such crimes would not lapse based on the convention adopted in 1948 and which is still in force.

[Sandor] And could that great reckoning be indeed regarded as genocide?

[Lamm] This reckonings were qualified as grave crimes in their own days, regardless of what human yardstick we use to measure their magnitude, but under no circumstance could they be regarded as falling under the authority of the 1948 agreement that had as its purpose to punish those implicated in the Holocaust. There is no chance.

Constitutional Court Above Parliament?

92CH0474B Budapest HETI KIS UJSAG in Hungarian
20 Mar 92 p 1

[Commentary by Tivadar Partay, editor in chief of HETI KIS UJSAG: "Law and Justice"]

[Excerpt] [passage omitted]

I (we) respect the decision of the Constitutional Court, but... The hell do I respect something my brain, my heart, and every sense of mine regards as inappropriate, damaging, and unjust. Not only do I have no respect for such a thing, but I also object to it! And I have no respect for that body either, because by twisting the truth they try to force upon me what not even they regard as just and consistent with the law. Whenever the law conflicts with the truth, the law must be changed, because the truth cannot be changed. Truth is eternal and unchangeable. And if that group of people raised on Marxist law and obviously attentive to political considerations stands in the way of the truth, than that group must also be changed!

The very fact that nine infallible sorcerers are able to gain the upper hand vis-a-vis a 380-member highest legislative body to whom it may thank its existence, is, in itself, ridiculous. Nine men, I emphasize, MEN, contradict a body elected by the people, which contains 10

times as many jurists, and whose duty and right it is to create the Constitution and laws. What is this? A bad dream?

Although the sign for law (paragraph) is twisted twice, the court has twisted the law more than twice. Accordingly, I do not respect the court; instead, I find that it is unfit to perform its function! To do so is my personal right! I want to enforce this right on my own behalf, and on behalf of millions of my fellow citizens.

I have already stated that I do not regard the framers of the Zetenyi-Takacs law as fit to advance such a proposal. Simply because they are not interested parties in this regard, etc. I also said that I did not ask anyone to protect my rights, and I—who became crippled as a result of Gabor Peter's punches on my body—requested no one to act on my behalf and to return those punches. And I never asked, and I also protest the fact that nine gentlemen who were well paid both in the past and in the present absolve those who tormented me and who murdered my friends. I also said, of course, that they should not hand over to public disgust some worn-out characters who should be kept in old age homes, but they should hand over the actual murderers, the henchmen. And those who hide today under the tunic of 1956. Why is the one who cried death and voted for a death sentence in the 1946 Hungarian Community case, the one who burnt and beat me and many of my friends with great zeal in 1949, a hero? The one who helped thousands of people to the gallows, innocent people to prison, robbed the deported families and helped beat the kulaks to death. Should he be a hero just because in 1956 he felt that the winds had changed and therefore quickly turned his sails?

At this point the truth once again plays a decisive role. No one should say a word about those whose 1956 merits outweigh the crimes they perpetrated during the previous decade. But the ones who plundered for 10 years then acted like good people for a few months should not be able to hide behind 1956!

The president's proposal amounts to a transparent maneuver to remedy the scandal that disturbed the deepest feelings of the public. It looks like this: We place a nine-member body above 380 people, of whom close to 100 are jurists. Now we establish yet another committee above the group of nine so that if this committee is also unable to render the kind of decision the people like (one can already tell that it could not), they let an "impartial" person decide. In other words, the God-given people must acquiesce at one point or another, on the way down from the 380 people.

Well, this is the thing I do not believe in. Simply because certain "wise" politicians have brought to the surface some tensions which by far transcend the subject of this turmoil.

How could anyone make a narrow-minded statement in parliament to the effect that the issue of war criminals is different from the present problem? Do those who figure

out things like this have even a drop of logic or sense of justice? I have been "interned" both prior to 1945 after I returned from the front and under Rakosi. I was imprisoned under Kadar. On what grounds does a young kid born today argue that there is a difference between being beaten by an Arrow Cross or SS henchmen on the one hand or the AVO punching henchmen of Andrassy Street on the other?

But there was one difference, indeed. In olden days the dirty work was done by noncommissioned officers and ordinary people, while in 1949 lieutenant colonels and captains did the beating. In other words, the former group consisted of machinelike, soulless people who implemented orders, while the latter were sadist pigs. (If FIDESZ [Federation of Young Democrats] so desires, I will tell them who they were; they might know some of them.)

What difference is there between the murderers of 1943, 1944, or 1946? How come the statute of limitations has run out on the genocide of 1956, and on the genocide thereafter?

I repeat and emphasize, I do not intend to take personal vengeance on anyone, neither for having become crippled during the war, nor for what followed after my 4 April 1944 arrest, nor for the Buda-South and Kistarcsa [internment camps], nor for Recsk, and not even for the prison sentence I served in 1957 and 1958. And regardless of how this might offend the sensitive representative, I am not asking anyone to act on my behalf in providing legal remedy. (If the representative so desires, I will provide reasons why I do not want this to happen, and will explain why I believe that his action amounts to no more than an itch to be noticed.)

I do not want to receive satisfaction and I do not need the help of hired lawyers. But I do not approve of, moreover, I object to decisions made on my behalf and on behalf of my tormented colleagues on this subject by similarly inappropriate lawyers. If the legislature elected by the Hungarian people, the parliament that has sole jurisdiction, decided that this issue had to be clarified, there should be no higher body than that, and no body should be able to invalidate the decisions of parliament. The country is in real danger if this can happen; no one should be higher than parliament! [passage omitted]

Duray on Interparty Relations, Separatist Drive

92CH0421A Budapest BESZELO in Hungarian
14 Mar 92 pp 28-31

[Interview with Miklos Duray, a leader of the Hungarian minority in Czechoslovakia and president of the Coexistence Political Movement, by Ferenc Dobos; place and date not given: "Coexistence—Separately?"—first two paragraphs are BESZELO introduction]

[Text] Miklos Duray's autobiography, *Kutyaszorito [Choke Collar]* (publisher Sandor Puski, New York), appeared nine years ago, just when the author was in

detention on remand in Pozsony [Bratislava], on charges of subverting the Republic. Sandor Csoori wrote the introduction to the book. Duray was arrested again a year later, and the charges against him were expanded to include "violation of the Republic's foreign interests." The general public in Hungary was able to learn about this "work written with subversive intent" only from Janos Hajdu's notorious article; the prominent journalist attacked mainly Csoori, dismissing Duray simply as "the minority's self-appointed defender." The old [samizdat] BESZELO and Gabor Demszky's HIRMONDO had published regularly reports on the results of the fact-finding investigations undertaken, on Duray's initiative, by the Committee for Defending the Rights of the Hungarian Minority in Czechoslovakia, as well as news about the imprisoned writer's situation, and the international solidarity drive to gain his freedom. After his release, Duray gave BESZELO an interview, in which he summed up the lessons of the committee's findings as follows: "The ethnic Hungarians in Czechoslovakia do not have equal rights and are not full-fledged citizens of the Republic."

As the leader of the Coexistence Political Movement, Duray remains even today an outspoken defender of the rights of ethnic Hungarians in Czechoslovakia. He answered the questions put to him by BESZELO in the course of the interview, at a time that is once again difficult and harbors many dangers, but also offers wide opportunities. Namely, the stakes in the coming parliamentary elections in Czechoslovakia are very high: Many people expect the elections to alter the balance of political power, and also to clarify the Hungarian minority's situation and internal conflicts. Indeed, the question of Slovak separatism, which has been raising an ever greater storm in recent months, will be unavoidable in the coming elections.

[Dobos] The change of political systems in Czechoslovakia has been in progress for two years. Is this what you had expected of it?

[Duray] Yes, in a certain sense. The primordial political fog that enveloped us in 1989 is lifting; the political structure is changing continually and dynamically. In the legislative bodies, for instance, the original six- or seven-party structure has been transformed completely. The Federal Assembly now has 17 caucuses that emerged mostly from the parties of the ruling coalition. We may regard all this as a positive process. The negative feature, in my opinion, is that the new caucuses have adopted a stand of opposing one another, in spite of the fact that most of them have remained within the ruling coalition. The new caucuses are voting against bills introduced by the government. There have even been cases in which cabinet members, in their capacity as deputies, have voted against bills introduced by their own government. The coming elections will have to decide which political forces will respectively be supporting and opposing the government's policies.

[Dobos] Could not the present fluid situation reproduce itself?

[Duray] The differentiation will not be of that type; the formula will become more complicated. The political struggle will not be solely between the communist enemy embodied in the successor parties on the one hand, and the political forces demanding a change of political systems on the other hand. Also the left has become polarized by now, mainly in Bohemia. Various social democratic formations have emerged there, but also the supporters of a change of political system are divided. Some of them have taken steps in the direction of social liberalism, but there are also groups whose orientation is right-wing conservative. No wonder that there are conflicts of interest among them.

Right-Wing State Socialists, Left-Wing Nationalists?

[Dobos] Do you accept as correct the finding that center-right parties are the dominant in Bohemia, while the leftist and nationalist parties are gaining ground in Slovakia?

[Duray] That is indeed the situation. National socialist forces truly are gaining the upper hand in Slovakia, but it cannot be said that their ideological content is leftist, social, or socialist. Social demagoguery plus national ideology is more likely to be their tool. The Slovak Christian Democratic Movement (SZKDM) and the Movement for a Democratic Slovakia (DSZM) both claim to be organized on the basis of Christian values; in spite of that, relations between them have become entirely acrimonious by now. Probably they will get the most votes in the elections. After the elections, we may easily be witnessing a competition between them to see which dominant party can cause a split in the other one.

[Dobos] From the viewpoint of an election coalition, the watershed will probably be which of the parties running in the elections embrace the slogan of creating an independent Slovakia.

[Duray] Yes, that probably will be an important election-eering issue. But it is not at all certain that an independent Slovakia will be a plank in the programs of the parties other than the Slovak National Party. Instead, they will be supporting the preservation of a Czechoslovakia within which Slovakia would become an independent international entity. That, obviously, is a contradiction, replete with semantic confusion.

[Dobos] Earlier, Coexistence had made several conflicting statements regarding Slovak independence. You yourself said most recently that "the federation's supporters are exerting pressure on the advocates of independence, and this is evoking a defensive reflex among the latter." But to an outsider it seems that the truly aggressive forces in this game are on the side that is demanding independence. What is your final standpoint?

[Duray] Well, in my opinion, conflicting were the news reports and analyses regarding Coexistence, and not its standpoint. Incidentally, the exertion of pressure and aggressivity are not analogous concepts. Undeniably, the federation's supporters regard as the enemy of democracy anyone who is urging the federation's transformation or a higher level of independence for Slovakia. The fact is that the political parties striving for independence are not listing the creation of a civil society as the first and foremost plank of their programs. At the same time, we must also bear in mind that, for decades, the idea of self-determination has not appeared as an idea opposed to democracy.

[Dobos] But what can those forces have in common with democracy which, under the guise of self-determination and independence, ostentatiously revert in their press to the openly fascist tone and symbols of the Hlinka and Tiso period?

[Duray] The contrast, as I have indicated, does not occur on this plane. What I rather regard as tragic is that political forces which accept civil society's set of values, and intend to build society on the basis of those values, are unable to come out in support of Slovak self-determination. In the 19th century, and even at the beginning of the 20th century, assertion of the right to self-determination was in the hands of groups acting in the spirit of their time. But now, toward the end of the 20th century, the same idea is not the political elite's cause, not even in those countries where self-determination has not been realized. Therein lies the danger, in my opinion.

[Dobos] In the end, does Coexistence support the initiatives for Slovak independence?

[Duray] Coexistence supports the aspirations to self-determination. At the same time, according to our standpoint, Czechoslovakia's continuity under international law must be preserved, in the interest of maintaining stability in Central Europe. The right to self-determination can be ensured to some extent also within the framework of Czechoslovakia's continuity. In the opinion of some people, for instance, in the form of a confederation. But the state formation would first have to split apart, and only then could the member-states form a confederation. In other words, those who wish to transform Czechoslovakia into a confederation refuse to face the fact that the state was built from above, based on the fundamental idea of an integral Czechoslovak nation.

Minority Setbacks, Majority Successes?

[Dobos] Amidst such processes, what are the prospects for the emancipation of the country's minorities? Will they be able to break through the wall of intolerance surrounding them?

[Duray] The possibilities for emancipation are given. But I fear that a real breakthrough in the intolerance

surrounding us will be possible only when Slovak self-determination will already have scored its first successes. Such as the adoption of a new Czechoslovak Constitution that would be able to satisfy certain expectations of the Slovak national forces desiring [the federation's] transformation. At the same time, that could also provide the conditions for suppressing the extreme elements.

[Dobos] In my view, it is illusory to assume that any concession offered at the federal level could satisfy the Slovak nationalist forces that are now on the scene and are adopting a horrifying style.

[Duray] Nevertheless, that can hardly be called an illusion. For instance, it may be regarded as certain already now that the Carnogursky wing of the Slovak Christian Democrats does not want at all to split the country apart. They are in favor of construction at a slower pace. Earlier they rejected our attempts at rapprochement, but now we already are able to negotiate with them. But the other, radical wing of that same party is demanding—just like the Movement for a Democratic Slovakia—the most complete transformation within the framework of a confederation. (Within days after this interview, the Christian Democratic Movement split apart also formally.—Editor)

We must clearly see that the question of power is involved here. The party that nails a program of independence to its mast does not do so solely because it aspires to national emancipation and self-determination. The main question, in other words, is to what extent can the party's thirst for power be quenched? The Movement for a Democratic Slovakia, which will probably get a relative majority in the elections in Slovakia, could easily end up as the leading force within the federal government. Such a scenario cannot be ruled out entirely. Under the present system of sharing federal posts, moreover, it is even possible that Vladimir Meciar, the former Slovak prime minister, could become the federal prime minister. A few newspapers in Bohemia have already published such forecasts. All this might be enough to quench the thirst for power of a political group if it wins a relative majority.

[Dobos] Let us revert to the situation of the minorities, to the balance of their successes and setbacks.

[Duray] The Hungarian minority and Czechoslovakia's minorities in general have their legitimate parliamentary deputies who, on the whole, have met their constituents' expectations. That I regard as favorable. We have scored significant successes also in local elections, but the system of central redistribution limits considerably the scope of local governments in Slovakia. Unfortunately, the rate of unemployment in the areas inhabited by ethnic Hungarians is fairly high, because there was a considerable outflow of manpower. Therefore we see not only a decline in local job opportunities, but also an increase in the number of guest workers returning home

as unemployed, as well as in the number of former commuters who have lost their jobs.

[Dobos] The Coexistence Political Movement's program of regional and cultural autonomy could remedy also these problems, among others. At the end of February, the movement's representatives submitted a memorandum to Federal Prime Minister Calfa in conjunction with this program.

[Duray] Our concept of autonomy cannot be realized from above; ethnic affiliation alone would not be enough for it. Actually, there already are regional organizations in Slovakia. The Alliance of Communities and Towns is a form of organization directed from above. Another one may eventually evolve from our initiative. We are striving to establish three large regional organizations. The outlines of the eastern one, between the Bodrog and the Ung [Uzh] Rivers, have already emerged formally. The core of the one along the Danube will be the Csallokoz [Velky Zitny Ostrov] Region, which already has its own regional council. The middle one, the Palots Region, is now being organized. Fortunately, the existing laws make all this possible.

Hungarian Ruling Party vs. Hungarian Opposition?

[Dobos] Is Coexistence able to get along with the other political parties and organizations of the Hungarian minority in Slovakia? In your opinion, is it at all advantageous that the political representation of the Hungarian minority in Czechoslovakia is differentiated to such an extent?

[Duray] In the countries of Europe, the minorities usually have merely one political party each. That is the situation in Finland, Sweden, Friesland, and even in Romania or the Vajdasag [Voivodina], for instance.

The polarization certainly has one advantage; through it our minority has demonstrated its ability to form more than one organization. Consequently, it has sufficient brainpower and moral strength. From the viewpoint of political representation, however, the existing situation is less desirable. Because a part of the Hungarian political forces is pursuing the policies of a ruling party, while another part is in opposition. Unfortunately, smooth cooperation cannot develop between two such groups. Moreover, the political outlook in Czechoslovakia is sharply divided between a nationalist, state-socialist orientation and a minority-protecting one. Meanwhile the nationalist, state-socialist approach is traditionally opposed to the minorities.

[Dobos] In other words, cooperation between the ruling parties and the political parties representing the minorities' interests can be imagined only if the latter support the government's legislative bills. Could this formation work also in reverse?

[Duray] The Coexistence deputies, together with the Hungarian Christian Democrats, have been playing the role of a constructive opposition. In many instances it

was their votes that kept the government from being brought down, and ensured passage of bills introduced by the government. Regrettably, also the exact opposite of this has happened: Deputies of the Hungarian ruling party have turned against us in parliament.

[Dobos] So far the Independent Hungarian Initiative (FMK), which has become the Hungarian Civic Party (MPP), has categorically refused to cooperate with Coexistence. But recently it has announced its willingness to form an election coalition with any Hungarian political group. Does this provide an opportunity to heal mutual relations that have become acrimonious?

[Duray] So far as the aforementioned conflict is concerned, I would trace its causes to its very beginnings. The Independent Hungarian Initiative was launched in November of 1989, as a broadly interpreted civic initiative. After the one-party system's collapse and society's political pluralization, however, the Independent Hungarian Initiative—sailing in the lee of the Slovak movement that was initiating political changes—soon assumed the characteristics of a political party. When the federal government was being formed, it became quite clear to me that, among the political parties supporting a change of political systems, the state-socialist line would gain preponderance in Bohemia, while the nationalist one would do so in Slovakia. At the time, I personally attempted to persuade the leadership of the Independent Hungarian Initiative that they ought to choose their orientation preferably as an independent group, and only then to decide with which Slovak political force they would seek to establish links. My impression was that a large proportion of the Hungarian minority, on whom the Independent Hungarian Initiative then relied or could have relied, would have preferred to engage in politics independently, within the framework of an organization of their own. On the Slovak side, political parties bearing the traditional nationalist characteristics had already emerged by then. Emphasizing merely their core nationalism, the programs of these parties neglected to define civic values and economic elements. It was realistic to fear that a political explosion might occur among Slovakia's ethnic Hungarians, if they were left without independent political representation. That realization hastened the formation of Coexistence.

Thus the conflict between Coexistence and the Independent Hungarian Initiative stemmed from their different starting points. Personal considerations, too, may have been a contributing factor. The Independent Hungarian Initiative's founders were hoping that I would join them in politics after my return from the United States. I did not join them, and perhaps they resent me for that reason.

[Dobos] In Slovakia's Hungarian-language press there have appeared also analyses which do not make any significant distinction between Hungarian parties, because—so the reasoning goes—every group is using the Hungarian minority merely as a means of achieving its own narrow, elitist interests.

[Duray] Theoretically speaking, that contention is true. Every political party is fighting for the voters' favor and support, especially before elections.

[Dobos] But the cited opinion was far more pejorative than that in its judgment of the activities of the parties' leaders. It accused the political leadership of the Hungarian minority in Slovakia of helping [communists] to preserve [their] power, of hiding former apparatchiks. Similar accusations were leveled also at Coexistence. Many people believe that lackeys of the former political system can be found within the ranks of Coexistence as well.

[Duray] Although we did not launch an ideological and political struggle among the minorities, former apparatchiks and compromised party members could not gain admission among us. Only those former party members could who obviously had not compromised themselves. Anyhow, I think it is dangerous and undemocratic to declare "from above" that someone lacks credibility, when otherwise his own circle accepts him. One-time party membership in itself does not detract from anyone's credibility.

Voters and the Elected

[Dobos] Whom will you choose as your coalition partner in the June elections?

[Duray] We initiated talks with the Hungarian Christian Democratic Movement in early February. Due to the provisions of the Electoral Law, a grand coalition of four parties is not possible. In other words, only a coalition of not more than three parties can come into consideration. Talks between Coexistence and the Christian Democrats are in progress. The question of who will be the third partner in the coalition is still open.

[Dobos] Should the Hungarian Civic Party's offer be regarded as no longer timely?

[Duray] I would not say it is no longer timely. I merely question the prospects of forming a coalition with them. The Hungarian Civic Party's behavior to date and its activity within the ruling coalition cannot be reconciled with the oppositionary style of Coexistence and of the Hungarian Christian Democratic Movement.

[Dobos] When the Independent Hungarian Initiative became a political party, it declared its willingness to revise certain principles and objectives of its past policies. Which in plain language means that they are now willing to attach the same importance to political activity in defense of the minority's rights, as to establishing civic order and creating pluralistic institutions; in the past they ranked the latter objective ahead of the former.

[Duray] That is not what I consider to be the most important contradiction. After all, always the momentary situation determines what must be given top priority at any given time. But the Independent Hungarian Initiative, as a member of the ruling coalition during the

past two years, often directly opposed our political intentions. There are several instances that lend themselves to unambiguous interpretation. One such instance occurred when the Slovak National Council was considering the language bill. Another instance was the debate in the Federal Assembly, on the proposed Charter of Human Rights. In the case of the language bill, deputies of the Independent Hungarian Initiative were pressuring our deputies to vote for a language bill that clearly discriminated against minorities. As a result, our deputies were unable to vote as a bloc, because the false alternative outlined by the Independent Hungarian Initiative had divided them. For, in my opinion, the approach was entirely flawed that the nationalists would come to power, if the language bill failed to pass.

[Dobos] Do you feel that all this could be attributed solely to the Independent Hungarian Initiative's disruptive efforts?

[Duray] I was not talking about disruption. The ruling parties as a whole were exerting very strong pressure on the opposition, and that pressure was being transmitted to us clearly by the Independent Hungarian Initiative. In the other instance, in conjunction with the proposed Charter of Human Rights, we had stated unambiguously that the minority rights formulated in the Charter did not meet present standards, the principles accepted in the Helsinki process, and even fell short of the minority rights entrenched in the 1968 Constitution. For these reasons, we did not participate in the voting. But the Independent Hungarian Initiative voted for passage, and even launched attacks against us.

[Dobos] If the split in the political representation of Slovakia's Hungarian minority continues, that could pose a twofold danger. For one thing, several organizations might receive mandates to represent minority interests, and each organization would have less political clout. But probably an even greater danger might be that ethnic Hungarian voters will be fed up with the continuous squabbling and might react by staying away from the polls in the coming elections.

[Duray] That is a real danger, especially if we fail to form any kind of coalition. But a coalition is in the process of being formed, and—by my estimate—it will have the support of two-thirds of the ethnic Hungarian voters.

[Dobos] An observer from Hungary proper will inevitably find that the tension between the liberal Hungarian Civic Party on the one hand, and Coexistence on the other hand, is similar to the divisions between political parties in Hungary and to the differences in their mentality. It will suffice to refer to the passions behind the conflict between the populists and the urbanites.

[Duray] In my opinion, the conflict in the case of Slovakia's Hungarian minority has been created artificially. Artificially and intentionally. It does not follow by any means from the local conditions. To tell the truth,

sometimes I myself feel perplexed by this issue. All I can say for certain is that I definitely consider myself an urbanite.

[Dobos] In the eyes of the outside world and to the non-Hungarian public opinion in Czechoslovakia respectively, you remain the sole spokesman for the Hungarian minority. That is clearly evident from the almost obligatory attacks and abuse against you in the editorials of the nationalist tabloids and party newspapers, as well as from the respect you enjoy—due in no small measure to your brave, civic struggle against the communist system and to your imprisonment—in the civilized world's political circles, and in its social and civic organizations. But paradoxically—as a result of the process of differentiation taking place, as outlined above, in ethnic Hungarian politics—that respect appears to be the least uniform specifically in ethnic Hungarian public life within Czechoslovakia. You recently resigned as caucus leader in the Federal Assembly. Is there any connection between the attacks against you and your decision to pass on to others certain elements of your role as spokesman for the Hungarian minority?

[Duray] The considerations that led me to resign as caucus leader were other than the ones you just mentioned. I am definitely opposed to a plurality of offices, unless circumstances necessitate it. The internal political structure of our organization is in the process of evolving, and we gradually are becoming able to find persons suitable for the representation of interests we have undertaken.

So far as the attacks against me are concerned, they may be regarded as parenthetical as long as they are directed against me, and not against the spirit of coexistence. That spirit of coexistence must stem from the compelling force of reality. Stable consolidation was achieved in West Europe only when the opposing forces came to terms. I am convinced that we in East Central Europe, too, will soon be proceeding in that same direction.

Hungarian Minority Parties' Negotiations Flounder

92CH0422A Bratislava SZABAD UJSAG in Hungarian
17 Mar 92 p 1

[Joint statement issued by Miklos Duray and Bela Bugar, presidents of the Coexistence Political Movement and the Hungarian Christian Democratic Movement, respectively: "Let There Be No Political Shotgun Marriage; Joining Forces Is Vital"]

[Text] The negotiating teams of the EPM [Coexistence Political Movement], MKDM [Hungarian Christian Democratic Movement], and MPP [Hungarian Civic Party] met for the first time on 5 March to discuss the prospects for possible cooperation in the elections and the formation of a coalition. The delegates of the EPM and MKDM jointly outlined the conditions essential for forming a coalition with the MPP. The three sides agreed

to continue the talks, not to issue a communique, and not to make any statements about the negotiations. On Monday, Karoly Toth nevertheless gave a statement to a reporter of Slovak Radio's Editorial Office. The three negotiating teams met again on 12 March, and we heard the MPP leadership's response to our conditions. No agreement was reached after lengthy debate. We met again on 17 March. Because it was a working session, we agreed not to issue a communique and not to give any statements to the media. On Friday, Karoly Toth gave a statement to the radio's Daily Chronicle program that is broadcast in Hungarian. And Saturday morning, Laszlo Gyurovsky gave a statement to the Saturday Forenoon program. He had not been present at the talks, made false assertions, and misled the audience. Moreover, Karoly Toth gave his own opinion of the negotiations in an interview that appeared in the Saturday issue of UJ SZO.

We do not wish to attach too much importance to formalities. But when one side in the talks suddenly disregards what has been agreed to, and thereby wants to sway public opinion in its favor, then the talks become frivolous, and that partner's reliability comes into question.

We are not being secretive, and there is nothing to keep secret. And we will gladly publish the conditions we set for forming a coalition. But at the same time we wish to clearly emphasize that an unfinished exchange of views cannot be interpreted one-sidedly, and thereby manipulated. Especially reprehensible are the false one-sidedness, the attempts to sway public opinion, and the half-truths exaggerated through demagoguery. Coexistence and the MKDM support the [Czechoslovak] federation. And they are supporting the federation not just now, out of necessity. They have been giving tangible proof of their support ever since the previous parliamentary elections.

We wish to form a political force that will safeguard the interests of us all, of the entire Hungarian minority in Czechoslovakia. Indeed, we are very much aware of our situation and responsibility. We know it is vital to join forces. And we are promoting and practicing just that.

But we wish to base the practice of forming a coalition on the experience we—i.e., the Hungarian Christian Democratic Movement and the Coexistence Political Movement—have gained in the course of our own cooperation during the past two years. The coalition of the MKDM and Coexistence intends to further intensify the effectiveness of joining our forces. But we would like to steer clear of hysteria, of intentionally generated demagoguery stemming from incomplete information, and of political shotgun marriages.

Tolgyessy: Central Pressure on Local Governments

92CH0445A Budapest NEPSZABADSAG in Hungarian
17 Mar 92 p 4

[Unattributed article: "Tolgyessy: The Government Ties Local Governments Into Knots!"]

[Text] The government conducts antiautonomous local government policies, Free Democrats party chairman Peter Tolgyessy announced at a press briefing following a conference of SZDSZ [Alliance of Free Democrats] mayors and faction leaders in Budapest last Monday.

As it turned out, the SZDSZ mayors believe that amendments to the local government law and to the election law are sorely needed, because, for example, mayoral offices are not certain about the scope of authority that has been granted to regional prefects. Tolgyessy believes that a future situation in which all mid-level government administration is based on regional prefects constitutes a real threat. He called this situation "extremely unpleasant, because regional prefects do not enjoy legitimacy sanctioned by popular vote." Participants at the conference paid special attention to the situation of local government interest groups.

NEPSZABADSAG asked the party chairman to what he attributed the fact that the situation of the SZDSZ was becoming increasingly uncertain in Budapest local governments. (We have already reported that certain groups of SZDSZ representatives wanted mayors from their own party to resign in several local governments; the party's board issued a circular to SZDSZ legislatures in the districts calling for the observance of party discipline when casting their votes, in the interest of unity within the SZDSZ.) In response to this question Tolgyessy said that the government was tying autonomous local governmental bodies into knots, and that it was of no help that on a nationwide scale the SZDSZ provided most mayors; SZDSZ legislators remained in the minority in many places. Under these circumstances disputes between SZDSZ mayors and legislators are natural, because they believe that the body is unable to function properly because they are personally unsuited, Tolgyessy said.

Aviation Repair Factory Purchase Controversy

92CH0463A Budapest PESTI HIRLAP in Hungarian
9, 10 Mar 92

[Article in two installments by Zsuzsa Vadasz including interview with entrepreneur Gyorgy Kassa; place and date not given: "Calvary of a Foundation: The Pestvidek Machine Works Story Continues"]

[9 Mar]

[Text] The greatest variety of information has been published recently about developments surrounding the Pestvideki Machine Works, that it has been subject to bankruptcy reorganization for the past two years. Some

of this information appeared to be authentic, other reports seemed to be less credible, and yet others had no foundation. The name of the Eldorado Foundation—the winner in the tender bidding process—was leaked, despite the fact that on 16 January, at the conclusion of the bidding and after consummation of an agreement, all parties involved agreed to secrecy. Some vague references were made to the financial background of the foundation, the source of its funds, as well as the fact that private ownership of the repair facility designated as a military industry unit could even endanger the operations of the Hungarian Air Force. The real goals of the primarily sports-oriented and charitable foundation also came under scrutiny. Reports alternated between calling the transaction privatization and bankruptcy reorganization, and some newspapers provided verbatim quotes from the sales agreement classified as secret. Two big names, those of Sarolta Zalatnay and Gyorgy Guiczoghy, filled the newspapers; the names of these persons—the founding members—do attract attention, of course. Entrepreneur Gyorgy Kassa, the president of and the moving force behind the foundation, has not expressed his opinion anywhere before. In several hours of conversation we tried to primarily find an answer to the question of how it occurred to him to enter into this kind of venture, how this case took such a strange turn, and what the whole thing was all about.

[Kassa] Insofar as sports activities are concerned, the story dates back quite far. We planned to establish a sports facility at Csobanka; we also had plans concerning the Marczibanyi sports facility, and two years ago we wanted to construct a rollerskating arena. Last summer, at last, the five of us established the Eldorado Foundation, which had as its exclusive goal to establish various sports opportunities, and the foundation came about with the support of some notable people. We wanted to seek out several large manufacturers to support this undertaking. But the support they wanted to provide was so small that it would not have sufficed to sustain a single kind of sports activity, let alone a sports club. Several manufacturers recommended that we begin enterprising and finance the sports activities out of profits. This is how the idea of purchasing various enterprises under bankruptcy reorganization occurred at a session of the foundation last November or December. We would kill several flies with a single strike; we would be establishing workplaces and would also use the profits to finance sports activities. Thus the basic idea.

[Vadasz] Many things had been written up recently by the press concerning the foundation. Among other things they claimed that the foundation started out with 100,000 forints and that thereafter it acquired 60 million Swedish crowns from secret sources....

[Kassa] The foundation's capital is one thing, and its founding capital is another. Those who wrote these reports were unfamiliar with the law and with everything else. A foundation can be established today with 50,000 or 100,000 forints, but it is also possible to invest a billion forints into a foundation. The founding capital

does not determine the size of a foundation—the sources and the amounts of contributions do.

[Vadasz] Would you say that those mysterious 60 million Swedish crowns should be considered as support?

[Kassa] I visited Sweden last August and September; I was in Stockholm and in Goteborg. My Hungarian friends there offered support. They did not offer a gift, but instead an interest-bearing loan with a 5-percent rate, provided that the foundation entered into some sensible undertaking. I received the same kind of money for which Hungarian banks charge a 42-percent interest for a 5-percent interest. After winning the tender award on 16 January my friends and I sat down immediately. They confirmed that they would transfer the 60 million Swedish crowns, the equivalent of about 430 million forints. We will repay that amount from the profits of the productive firm. That's the story. We could not even have entered a bid have we not had this promise. And let me add here, we did go from door to door to Hungarian banks for this money, six large banks altogether, to convert the amount into forints. All we needed was a bank guarantee, but it was not in the interest of a single Hungarian bank to pay out those 400 and some million forints against the 60 million Swedish crowns, or based on the close to 2.5 billion forints worth of assets as those has been appraised in 1989, I believe. This was in the interest of no one in this country, except ours.

[Vadasz] What can you do in this situation?

[Kassa] Thanks to the newspaper reports, the problem has been resolved since.

[Vadasz] Because...

[Kassa] We are buying the factory with Hungarian money. After all this, there still exist people who believe that what the government and the Hungarian banks are doing amounts to a joke.

[Vadasz] Simply put, what the government and the banks do results in a certain kind of solidarity among entrepreneurs?

[Kassa] Yes. Besides myself, there will be eight or 10 entrepreneurs who will not go begging to the government, will not ask for pennies, but will enterprise in order to provide 1,200 workplaces and to spend their profits on student sports activities, hospitals, or for some similar purposes. Today's per capita allocation for each sick, hospitalized person amounts to 42 forints. I obtained this piece of information a week ago, and I got the chills upon reading the fact that tens of thousands of physically handicapped and crippled children receive tea and bread with lard for six days out of the seven days of the week, for example.

[Vadasz] Is the foundation also going to be engaged in this matter?

[Kassa] Yes! We are in touch with 25 organizations, and among others, we are trying to establish contact with the Maltese Charities, hoping to receive their support.

[Vadasz] Have entrepreneurs contacted you already?

[Kassa] Yes, and we are able to confidently face the authors of these articles and tell them that they have blown the whole thing out of proportion. This factory has been offered for sale four times during the past two years to precisely those people who now make a case out of it. They could have retained the machine works under state ownership. The Ministry of Industry and Commerce, the Military Industry Office, and permit me not to continue with who else received detailed information.

[Vadasz] Some described the PG-story as a privatization case.

[Kassa] This enterprise was not subject to privatization; it was subject to bankruptcy reorganization. It is the kind of industry no one in Hungary wanted to buy two years ago and ever since. Negotiations with Line Up Aviation Ltd. lasted for a year. These were chaired by Peter Akos Bod. A year later they stood up and left—they got tired of negotiating. The Hungarian state would have been left with a 14-percent share of this factory. Now that our foundation has purchased it, 100 percent of the factory has remained in Hungarian hands. And the one who issued a report according to which foreign bidders also took part in the tender, is literally telling a lie. All of us who appeared at the bidding on 16 January were Hungarians. Small entrepreneurs got up and left earlier, two firms remained in the final bidding: Mikromatika and the foundation.

[Vadasz] How did you start out with this tender?

[Kassa] The daily newspapers reported in those days that the Pestvideki Machine Works became the subject of bankruptcy reorganization, that it had been written off and become the place where interested persons could register. We requested to see the tender documents, took those home, developed an offer, and submitted it. This is not the only firm being reorganized that we had and still have in our pockets. I will tell you frankly that now that we own the Pestvideki Machine Works, we will purchase very many such enterprises.

[Vadasz] Something seems very odd to me in this regard. From a practical standpoint, this entire matter has been closed as of 16 January. Today's date is 7 March. Why did they blast this matter open and who leaked the information?

[Kassa] The press was also present at the 16 January tender bidding. I express my respect to journalists who were present, and who, at our request, did not reveal the names of the participants and the winning bidder. We asked for secrecy because some serious negotiations were yet to follow even though we had won the tender award. We did not want to see another Line Up case. We at the foundation, and the Reorg Corporation's leadership, felt

that it was fair to request that the press not announce our victory. Certain articles appeared according to which PG was about to touch ground, that the buyers name was veiled, nevertheless, and consistent with our request, they did not name us.

[Vadasz] So then, you won the tender on 16 January, and then....

[Kassa] On 17 January we got in touch with our competitor, Mikromatika Holding, and signed a cooperative agreement. We do not have a specialized industry staff to permit smooth operations from the first moment on. On 17 January I also reported to State Secretary Dr. Jenő Laszlo in charge of the military industry, because I felt that this was required from the winning bidder as a matter of courtesy. We developed for him an overall plan concerning the goals of the foundation, and I handed to him at the meeting some private material which contained our guarantees. This took place on 21 January. I told him that we did not intend to build billions worth of stadiums and sports fields, but instead, as a start, BMX bicycle paths and rollerskating rinks for children, which would cost two or three million forints. At this point the newspapers are making sarcastic remarks concerning my private conversation; they say, for examples that airplanes are not the same as roller skates.

[Vadasz] Accordingly, you signed the agreement on 16 January. Did the transfer of the facilities begin? And when was that complete?

[Kassa] On 21 February.

[Vadasz] But no one broke the silence even at that time. Two more weeks passed before the press campaign started. Why did it not start immediately?

[Kassa] You should ask this question from the gentlemen who waited until that point.

[Vadasz] Still in the framework of time: What has happened since?

[Kassa] The factory has been transferred during the past two months. We reviewed all the orders and possible development projects. The factory is working with machinery acquired in 1950. These are not competitive today. We have begun negotiating with German, Swedish, American, and British firms, but we will not sign agreements until we take possession of the factory. Neither we nor Reorg Corporation had a right to sign an agreement on behalf of an enterprise subject to bankruptcy reorganization or liquidation. Nor does the present leadership have the authority to do so. They merely operate the firm at the level of stagnation. There could also be human problems: During the past 40 some years no Hungarian Air Force officers have been trained in Hungary. The factory's management graduated in the Soviet Union, in Kiev. We might have avoided this situation had I decided to manage this enterprise with the staff of certain political parties and not with professionals. But I will emphasize that the moment we take

possession of the factory the sole basis for evaluation will be the actual work performed. Our foundation is also nonpolitical, and the founders and members of the board will not permit various political parties to enforce their perceptions in the framework of the foundation.

[Vadasz] To what extent were persons in authority aware of developments regarding the tender?

[Kassa] Not a single ministry should be able to claim that it did not hear about our victory. I informed every person in authority in writing, and I have the copies. We also delivered documents concerning the foundation's goals, expectations and guarantees.

[Vadasz] Does the guarantee pertain to the promise that you continue to repair the airplanes of the Hungarian Air Force?

[Kassa] The entire guarantee pertains to that. Moreover, we will do so with greater intensity, because not only the airplanes of the Hungarian Air Force are involved. Since the termination of the Warsaw Pact, Czech-Slovak, Polish, Romanian, and Bulgarian airplanes, and airplanes from Ukraine, will also be returned here for repair. And I emphasize that not a single person from the existing, highly qualified airplane mechanics core will find himself on the street. We put all this in writing and we will abide by it.

[Box]

To say the least, it is very strange that, while based on mutual agreement, neither the buyer, not Reorg Corporation, nor Pestvideki Machine Works released information about the transaction to any newspaper, including NEPSZAVA, that newspaper published a verbatim quote from the sales agreement and from the offeror's material, according to a statement by Reorg employee Ferenc Kovacs to the MTI.

Several pieces of erroneous information have been published recently relative to this case, on top, some reports have made the bankruptcy liquidation appear as if it threatened the security of the Hungarian Air Force. (Pestvideki Machine Works repairs Hungarian military airplanes and helicopters.)

In an agreement reached a few days ago, the buyer assumed an obligation to satisfy—as a business—the airplane and helicopter repair needs of the Hungarian military at all times, according to a Reorg professional who found it necessary to release the full, authentic story of the Pestvideki Machine Works' liquidation.

The decision to liquidate Pestvideki Machine Works was made in 1990. The Pest County Court designated the Reorganization Organization [as published] for this purpose. The liquidation took place because of the grave financial situation in which Pestvideki Machine Works found itself. At present, the firm has debts amounting to 930 million forints. The interministerial committee, including the Ministry of Industry and Commerce—as

the founder—has agreed that the firm must be liquidated. Negotiations began. A sales agreement has already been signed with the British Line UP Aviation Ltd. on 18 December 1990. That agreement called for a selling price of \$26.5 million. The Hungarian state would have owned 14.5 percent of the firm, but the date of payment had been changed four times, leading to the cancellation of the agreement because of the buyer's conduct.

Based on an agreement with the minister of finance, the Reorganization Organization, itself renamed "Reorg Corporation," subsequently continued the already ongoing liquidation. It maintained legal continuity and sought new partners. At first it intended to establish a joint enterprise with the involvement of the creditors. All creditors, except one, rejected this proposal, while several creditors did not even respond to the initiative. The National Defense Committee of the National Assembly dealt with this matter and did not object to the sale of the Pestvideki Machine Works under liquidation.

A tender invitation resulting in three offers had been announced thereafter. An American partner offered \$3 million for the purchase of all the assets of Pestvideki Machine Works. The second offer was for 350 million forints plus general sales taxes, while the third offer would have realized 331.5 million forints plus general sales taxes, but the sale would not have included the inventories. The American offeror failed to appear at the public sale. One of the two Hungarian offerors announced at the bidding that he would not be able to pay more than 420 million forints plus general sales taxes. The other partner offered 430 million forints plus general sales taxes, not including the inventory. In the end, negotiations to enter into agreements and about the sale of inventories began with this partner. The buyer offered an additional 400 million forints plus the payment of general sales taxes for the inventory, but not including inventory owned by the state. An agreement concerning the 830 million forint purchase price has already been signed and the transfer of 580 million forints is due to 9 March.

The buyer will pay the remainder of the purchase price—about 250 million forints—by 31 December 1992. This also means that all just claims can be fully paid from the purchase price and from the successful management of Pestvideki Machine Works, according to Ferenc Kovacs.

Reorg neither confirmed, nor denied the name of the buyer (Eldorado Foundation), claiming that the buyer would announce the transaction shortly at a press conference.

[10 Mar]

[Text] In yesterday's issue of this newspaper we published the first part of an interview with entrepreneur Gyorgy Kassa, the head of the Eldorado Foundation. The interview revealed among other things that the case of Pestvideki Machine Works was made public in the form of a delayed "time bomb." We discussed the apparently artificially created obstacles—as, for

instance, the role played by certain banks—and the guarantee provided by the foundation concerning the requirement of filling Hungarian Air Force orders on a priority basis.

We were also curious to find out who created these obstacles.

[Kassa] A week ago I heard that someone broke the news to one of the committees that the Eldorado Foundation used drug money to purchase the factory.

[Vadasz] Could this be related to the 60 million Swedish crowns?

[Kassa] Yes. Incidentally, I know who this person is, I will publicize his name at the appropriate time. He is a government official. Thereafter we heard rumors to the effect that we won the tender award because we threatened the rest of the bidders. The truth is that we did not talk to a single partner in advance, and we did not find acquaintances among them. No mutual threats have been made in conjunction with Mikromatika, the second highest bidder, instead, on the day after signing the agreement we also signed a cooperative agreement with them. The greatest variety of rumors have been spread during the past week or week and a half. The telephone rang at my home one evening. A lady named Ildiko Saman told me that she had copies of the sales agreements and all material, and that she wanted to write a report with my cooperation.

[Vadasz] Do you know Ildiko Saman?

[Kassa] She is a NEPSZAVA journalist. I thought she was joking, and I told her that she was wrong because she could not have those papers. And I do not like bluffs. The documents were prepared in three copies: I have one copy, Reorg Corporation has another, and the third is at the Military Industry Office, I believe, at Dr. Jenő Laszlo. I did not assume that private material which we asked to be kept secret from the first moment on, beginning on 16 January, could have gotten in the hands of journalists.

[Vadasz] Were you given a promise about maintaining secrecy?

[Kassa] We received a promise to that effect. I asked the lady to tell me who gave her those copies, or who prepared the photo copies for her if she indeed had the material. I also called her attention to the fact that she would cause the most serious damage to us if she published this material and that tremendous problems could evolve at government offices. She told me that she found the documents on the street. I asked her not to publish the article even if she had these documents in her possession, because whoever gave them to her did not consider the consequences. She promised that if her adviser told her so, she would not publish the article and that she would see me on the following morning. I was waiting for her. Instead, however, the telephones began ringing at my apartment beginning at six in the morning,

and I was reading this monstrosity [in the newspaper]. I did not want to react immediately. She called me on the following evening to tell me that she would continue with the article. I told her to go ahead if she was that brave.

[Vadasz] What happened then, what is going to happen hereafter?

[Kassa] After all this, Reorg Corporation—of which Mr. Kupa is a member—may cancel the whole thing. The government, the Ministry of Defense, and the gentlemen who wanted to veto this transaction have two months to do so. Why didn't they buy this plant from the outset, why don't they operate it? I will offer an opportunity to the government to operate the plant and to transfer to me enough money to cover the damages suffered by the foundation. And let them verify, that all the money—to the last penny—will be spent on student sports, mass sports, and on mentally and physically handicapped children.

[Vadasz] Does this mean your withdrawal from the Pestvideki Machine Works?

[Kassa] I will not withdraw, but I will propose to the government that they run that firm, as long as they are so keenly interested in running it. But since our foundation has suffered serious damage, I want them to compensate the foundation for that damage. Our foreign partners, like the ones in Sweden, have already complained about getting mixed up in such a—how should I say this?—weapons deal.

[Vadasz] What was your reason for secrecy, and what did your business partners with whom you conducted negotiations say to this? The way things stand now, questions could be raised about your seriousness about this matter.

[Kassa] Secrecy had to be maintained because of the business negotiations. And this does not raise questions about my being serious, but about the seriousness of the military industry leadership and the government. I am aware that freedom of speech exists and that everyone is able to express his opinion. But I never thought that people would not be able to distinguish between what to say and what not to say.... Not to mention the fact that I was not the one who inflated this matter. This is not a military plant. This is a joke.

[Vadasz] Even though very many complaints in the press question how a foundation could be a military plant.

[Kassa] This is not at all a military plant. The fact that these airplanes and helicopters get repaired there does not turn this plant into a military plant. FEG [Firearms and Gas Equipment Manufacturing Enterprise] of whom the whole country knows that it is a military plant, is now being purchased by the Dutch. Why don't they blow up that case? Or why did they not blow up the Videoton case? Because someone else bought it.

[Vadasz] Who could be behind all this?

[Kassa] This will be revealed very shortly. I hope that the persons behind this thing will draw their conclusions and step aside.

[Vadasz] Okay, it's not a military plant, but even then, it is closely linked to national defense, to the Ministry of Defense. Accordingly, everything must be known at all levels about the momentary situation of the factory's liquidation, of the bidders responding to the tender invitation, and so on.

[Kassa] They knew everything. Everyone received information; I have copies of these communications bound in a volume. They were also aware of the winning bid. And they were pleased that Hungarians were the winners who support sports. Should I mention the fact that the MHSZ [Hungarian Sports Federation for National Defense] has been terminated a long time ago without a legal successor, and that its sports airplanes, parachuting facilities and shooting fields have been rotting for two years? We thought of bringing all this together, not only in Budapest or in Pest County, but on a nationwide basis. The abandoned Soviet airfields are vacant, there is no one to operate and to maintain them. This is why the foundation, jointly with Mikromatika, contacted various sport airfields, to at least try to preserve their condition for the sake of our youth.

[Vadasz] Since the MHSZ has no legal successor, these locations and facilities should be purchased from the state. This would require a terribly high amount of investment.

[Kassa] We have negotiated with a number of local governments about leasing the vacant, abandoned exercise fields and shooting establishments to the foundation for utilization. They would not even require us to pay leasing fees, all we would have to do is to renew and operate these. These sports establishments would be self-supporting.

[Vadasz] Some contradictory, somewhat mysterious writings have appeared about the existence of a machine factory with two airfields next to it, one of which is an abandoned Soviet military airfield, and the other is used by the Hungarian military. What is the situation in this regard?

[Kassa] This is a factory with a Soviet-built runway next to it. This runway is also used by the factory, because airplanes and helicopters that come to the factory land and take off from that runway, and test flights are also made from that runway. This runway is not our property, it belongs to the Hungarian state. We only have use rights, the same way as the Hungarian military has. A Hungarian military area is located next to the plant, and on the other side of the airfield is the so-called Soviet barracks of Tokol—it has been rotting there and falling apart ever since they left.

[Vadasz] Accordingly, no two airfields exist, the way they described this?

[Kassa]. No. There is only one runway. Some people confuse these things. The only trouble is that this confusion also exists at the governmental level. This is catastrophic!

[Vadasz] What's the next step? You have gotten stuck once when you were unable to convert foreign exchange into forints.

[Kassa] On Tuesday morning Reorg Corporation's single account will show that the entire amount has been paid in forints. This has been resolved. It is in forints, and not a single dollar, crown, or mark has been paid in foreign exchange. We are paying out of internal contributions. Just in spite of everything.

[Vadasz] Do you believe that the subsequent situation would have been the same, had this been a plant that manufactured, let's say, teaspoons? Could it be that someone wanted you to fail?

[Kassa] I dare hope that this is not the case. I feel that there are very many ventures in Hungary which do not advance the country, but serve various party interests. I think that this factory was supposed to belong to the Hungarian Democratic Forum, the ruling party. But then, why did they not lay their trump cards on the table, why did they not reveal whether they had, or had no money. They had two years to rescue this factory, it stagnated for two years and they liquidated it. Based on the decision of the Budapest Court, every concerned ministry—the Finance Ministry, the Ministry of Industry, and the Ministry of Defense, as well as parliament—knew about the reorganization. Perhaps not everyone knows about legal provisions that permit a factory to be made the subject to tender bidding only twice, and which require that if both processes fail to produce results, the factory must be sold at closed auction, and at that point the value of this factory is 100,000 forints.

[Vadasz] If they succeed in preventing that the factory belong to the foundation....

[Kassa] It could then be placed in the hands of someone else, but not for this amount, but for one-tenth of this amount.

[Vadasz] Could it be that this is the moving force behind the case? At least one of the moving forces?

[Kassa] What I am about to say is not my view, but I received information that if they upset this deal, someone else will receive it for a much lower price.

[Vadasz] And could they succeed in this?

[Kassa] No, because by now they cannot prevent things from happening at the highest forum, at the legal forum. Incidentally, after such articles have been published, they can wait and see when the next Western entrepreneur invests even a single dollar in Hungary. My Swedish friends already phoned me, the way they view the government is catastrophic. They do not approve of the

fact that such articles could have been published about a Hungarian citizen who borrowed funds in order to retain a factory under Hungarian ownership.

[Vadasz] Have you already taken possession?

[Kassa] So much so that we have performed on every aspect of the sales agreement; it has been signed and sealed, and we are taking the money to the bank for the transfer.

[Vadasz] Based on that, could it be that by publicizing this case they wanted you to "throw in the towel" and to withdraw voluntarily?

[Kassa] They do not know me, if they had that in mind.

[Vadasz] It is a newsworthy topic of course, it includes such names as Gyorgy Guiczoghy and Sarolta Zalutnay....

[Kassa] I very much regret that the press has also dragged their names through the mud. They did indeed know about the whole thing, but one cannot hold a conference every day for each founder about where things stand at every moment. Their names have a good ring throughout the world, they improved the reputation of this country more than any member of the present government, and we felt that with connections like this, whether these connections are in the field of music, sports or the arts, they could greatly help the cause of sports, and in general, advance the cause of establishing a normal way of life. I can say this much: I received the MTI report. (We published that in yesterday's issue—Editor.) That clarifies the situation. I feel that journalists who have thus far distorted the case will come to realize that they have made a mistake. About 50 journalists have been looking for me thus far. I told every one of them that I would refuse to make a statement. I will provide an appropriate answer to every question on 16 March, at the factory premises, in the presence of the factory's workers and the press. I would like to visit Parliament and its National Defense Committee before doing so. As the manager of a firm I always try to fulfill my promises to a maximum degree. It seems that at some ministries they are not familiar with this kind of word of honor.

Largest East European Enterprises Ranked
92CH0458A Budapest FIGYELO in Hungarian
19 Mar 92 p 31

[Article by Z.M.: "East European Top List; Hungarian Giants at the Peak"]

[Text] The Association of European Economic Newspapers—abbreviated as UPEFE in French—has published its second ranking of East European enterprises. The present list is based on 1990 data and does not include Soviet enterprises. (The ranking is based on sales volume.) There are many reasons for the relatively long delay in reporting. The primary reason is that it takes a well-intended effort to compare data received from the various countries, and such comparison can be made

only after certain adjustments. This is required because, for example, the official exchange ratio of national currencies and of ECU [European Currency Unit]—the currency in which the data are presented—did not reflect realities in every country, and thus the real multiplier had to be figured out on the basis of rather complex cross exchange rate calculations. (The editors used a 1:1.25 dollar/ECU exchange ratio.) This, of course, did not resolve the problem, that despite a total system change in East Europe, so many characteristics of the plan/command economy continue to prevail, such as direct subsidies granted to huge state enterprises and the excessive centralization and redistribution of income. Comparison is made even more difficult by each country having different taxation and accounting systems.

Despite the above, the 1990 list is likely to gain significance from the standpoint of economic history. This "snapshot" of the East European economy was taken in the last moment to preserve for posterity a view of the structure or lack of structure of the plan and command economy that created within CEMA, and in a broader sense, throughout East Europe disturbances of a magnitude that prompted the failure of the political system.

What do we see in this picture? Giant enterprises that frequently monopolize the markets of individual countries; a heavy industry, and energy industry and networks for selling means of production, all of huge proportions. To a much smaller extent do we see enterprises that manufacture consumer goods or provide services. Although at present we are publishing only the ranking of the first 50 enterprises, the above findings also apply to the entire list, containing 500 enterprises. Although there is no opportunity for a lengthy comparison, a glance at the previous list and the present list reveals a few differences. For example, Yugoslav firms which dominated the top 50 enterprises in 1989 have substantially fallen behind. There were 26 Yugoslav enterprises among the top 50 in 1989, in 1990 there were only six. The slowing of the Yugoslav economy forewarned us in 1990 about the regrettable events that followed later. At the same time the Romanians moved up on the list. While in the previous listing their largest enterprise ranked No. 26, in 1990 it ranked No. 8.

These changes suggest one thing: The East European plan/command economy has fought its life and death struggle in late 1989 and early 1990; under no circumstance could it be sustained in its earlier form. A new system was needed; the timing of system changes was no coincidence, it was not simply determined by politics.

Unfortunately, the worth of this list is diminished by the fact that it is incomplete, despite the editors' best intentions. Some enterprises in each country did not authorize the release of their data. To mention just three Hungarian firms, RABA, Tungsram, and Ikarus were not included in the ranking.

This much is certain, however: Hungarian firms dominated the top one-third of the list. We need to be neither

proud nor bitter about this. Instead, one should ponder how three Hungarian enterprises, only one of which has a considerable volume of exports, were placed on the top of the East European top list. But that has occurred in 1990, the world has changed by now.

Notwithstanding the above, the list is unique. It is unique because what you hold in your hands may be regarded as a certain bulletin, because the book that is going to include these data is yet to appear on the market.

Largest East European Enterprises in 1990

Ranking	Name	Country	Activity	Sales (in thousands of ECU's)
1.	OKGT	Hungary	Oil industry	5,873,030
2.	MVMT	Hungary	Energy	3,232,090
3.	Hungalu	Hungary	Aluminum	1,301,685
4.	Neftochim	Bulgaria	Crude oil refining	1,257,135
5.	INA	Yugoslavia	Oil industry	1,236,339
6.	Petrochemia	Poland	Crude oil refining	1,015,737
7.	Huta Katowice	Poland	Steel industry	864,695
8.	Intr. de Exp. A Conductelo Mag Gaz Meta	Romania	Gas industry	842,050
9.	MAV	Hungary	Transportation	751,923
10.	Dairy Enterprises Trust	Hungary	Dairy industry	732,807
11.	Ceske Energeticke Zavodi, Prague	Czechoslovakia	Energy	679,257
12.	Huta Sendzimira	Poland	Steel industry	658,977
13.	Ceske-Slovenske Zelezarne, Kosice	Czechoslovakia	Manufacturer of means of production	605,343
14.	Sidex	Romania	Steel industry	547,575
15.	Arpechim	Romania	Crude oil refining	465,053
16.	Slovnaft	Czechoslovakia	Oil industry	450,591
17.	Discovi Zapametyvasti Ustroyst	Bulgaria	Computer industry	412,447
18.	TVK	Hungary	Chemical industry	401,709
19.	Zarneni Hrani i Furajna Prom	Bulgaria	Grain industry	394,526
20.	Petrobraz	Romania	Petrochemical industry	391,154
21.	Bulgartabac	Bulgaria	Tobacco industry	380,634
22.	Beograd	Yugoslavia	Energy	378,945
23.	Electroprivreda	Yugoslavia	Energy	373,839
24.	Hrvatska Electroprivreda	Yugoslavia	Energy	367,568
25.	Chemopetrol Litvinov	Czechoslovakia	Oil industry	366,711
26.	Nova Huta Ostarva	Czechoslovakia	Manufacturer of means of production	354,868
27.	Polmos	Poland	Distillery	342,945
28.	Matav	Hungary	Telecommunications	339,445
29.	Cesky Plyna Rensky Podnik	Czechoslovakia	Coal mining	333,984
30.	Balkancar	Bulgaria	Vehicle industry	333,576
31.	Rodopa	Bulgaria	Meat industry	330,071
32.	Merkur	Hungary	Car dealership	328,436
33.	Papiripari Vallalat	Hungary	Paper industry	327,857
34.	BDJ	Bulgaria	Transportation	326,036

Largest East European Enterprises in 1990 (Continued)

Ranking	Name	Country	Activity	Sales (in thousands of ECU's)
35.	Mlechna Promishlenost	Bulgaria	Dairy industry	321,260
36.	Kremikovtst	Bulgaria	Iron foundry industry	320,072
37.	Vinprom	Bulgaria	Wine industry	316,311
38.	Vitkovice Sp	Czechoslovakia	Manufacturer of means of production	311,171
39.	Chimsnab	Bulgaria	Manufacturer of means of production	311,099
40.	Dohanyertekesito Vallalat	Hungary	Tobacco sales	305,874
41.	Jugopetrol	Yugoslavia	Oil transportation	299,302
42.	Rafineria Gdansk	Poland	Petrochemical industry	289,205
43.	Elprom	Bulgaria	Electrical industry	284,406
44.	FSO	Poland	Automobile industry	284,126
45.	Shell and Interag	Hungary	Commerce	280,398
46.	Zastava Jugo Automobil	Yugoslavia	Automobile industry	280,093
47.	Hungaropharma	Hungary	Pharmaceuticals trade	276,459
48.	Petrotec	Romania	Petrochemical industry	273,983
49.	Bulgmeat	Bulgaria	Meat industry	268,293
50.	Sofert	Romania	Chemical industry	264,287

Bank Privatization Alternatives Discussed

92CH0457A Budapest FIGYELO in Hungarian
19 Mar 92 pp 1, 11

[Interview with Dr. Lajos Komar, Banking Reform Committee chairman, by Adrienne Kurcz; place and date not given: "Hastening Privatization; We Would Boast"—first paragraph is FIGYELO introduction]

[Text] According to a 1990 assessment made by the World Bank, Hungarian financial professionals differ on whether professional investors controlling a large proportion of the capital, or investors with a lesser possibility of involvement should be attracted in the course of privatizing banks. The debate has continued ever since. Adrienne Kurcz inquired from Banking Reform Committee chairman Dr. Lajos Komar about his perceptions.

**Desired Proportion of Foreign Capital in Banks
(in percentages)**

Respondents	In the five large commercial banks	In smaller commercial banks
All large banks	30	45
Large banks	20	65
Small banks	36	42
All experts	33	64

Source: An Economic Research Institute study that reflects the 1992 expectations of the monetary sphere.

[Kurcz] Professionals expect to see an acceleration in banking privatization as a result of the financial institutions law. Neither the banks, nor the MNB [Hungarian

National Bank], nor the Ministry of Finance, nor the Bank Supervision, nor the Bank Privatization Committee provided information regarding the conditions, i.e., the plans that have been developed in this regard. What is the Banking Reform Committee's view of this matter?

[Komar] The Banking Reform Committee has not yet formulated an opinion in this regard. My viewpoint is as follows. The financial institutions law was necessitated by grotesque phenomena that appear in the banking system. One of these is the overlap between ownership and business partnership, which distorts, or could distort, the credit allocation mechanism that is so important from an economic standpoint. (This phenomenon is called "connected lending" [as published] by the profession, i.e. the intertwining of credit practices.) Several provisions of the law endeavor to discourage such intertwining or overlap. The dominance of state ownership in the banking sector and the low standard capitalization of banks is another problem. Increasing the capital base would be a primary economic (I could say: economic policy) interest, but there is no chance to accomplish this as a result of either domestic or foreign capital influx because the state as an owner dominates the largest banks. This is the path which leads us from the creation and logic of the financial institutions law to bank privatization.

[Kurcz] The financial institutions law sets a 25-percent limit for the state ownership share. The question is this: How and to whom would the state sell the excess ownership share?

[Komar] Two views have evolved regarding the sequence to be used in approaching and resolving the two banking sector problems I just mentioned. One of these regards the elimination of connected lending as the primary task, the other emphasizes the significance of capitalization. If we regard the latter as important—I subscribe to this view—we must start out from sources available for bank privatization. Due to the insufficiency of domestic capital sources and the inadequate capital accumulation at the banks, an increase in the capital base can only be accomplished by attracting foreign capital. If the capital that can be targeted on a realistic basis originates from foreign sources, a bank privatization technique cannot be developed without knowing the character of that capital.

This is so because there are two types of foreign capital: venture capital and investment capital. Venture capital does not have investment as its purpose; instead it is a means to achieve some strategic goal. For this reason, whenever venture capital is invested, the investor seeks to acquire control and influence. From this standpoint an investment by a foreign financial institution amounts to venture capital investment and thus the conduct and way of thinking manifested by such investor is no different from that manifested by Suzuki, General Electric or some other similar investor. In contrast, investment—portfolio type—capital is not viewed as a means to accomplish a strategic goal, but instead has as its aim to earn income. Such investors are satisfied with minority positions as long as they find investment opportunities which are secure and whose return satisfies the investors' expectations. This is why such capital can be found mostly at the stock exchange.

For this reason it is my view that rendering banks subject to trading at the stock exchange is the first step in the logic, schedule and concept of bank privatization. This condition must be established first by the present owners of banks, and only thereafter can we discuss privatization either by way of selling the state owned share or by achieving a relative decrease in the state ownership share by increasing the banks' capital.

[Kurcz] What should the present owners of banks do pursuant to this logic?

[Komar] They should straighten out the bylaws of banks and develop a healthy credit portfolio. The bylaws contain many blank spots today. I include the development of internal portfolio risk guarantee reserves as part of developing a healthy credit portfolio. The financial institutions law has established the legal framework for accomplishing this.

[Kurcz] Accordingly, you believe that banks could be privatized by rendering them subject to trading at the stock exchange, by introducing bank stock at the stock exchange and thus opening up banks to foreign investors.

[Komar] Yes, I most definitely think so. It is true, of course, that capital injected from the capital market will not provide technology and will not improve the banking

culture in terms of activities. Acquiring modern technology and a management culture is, above all, a matter of money and training. One need not necessarily link these things to changes in ownership, the more so, because I regard assumptions that professional (i.e. foreign financial institutions) investors would invest at all in Hungarian banks under minority ownership conditions as mere illusions, as dreams. I regard as most dangerous certain situations in which such investment would be made for the sake of semblances, but the investors would acquire majority rights along with minority stock ownership nevertheless, as a result of various agreements.

[Kurcz] A Bank Privatization Committee was established last month. What is the role and what should be the activities of this committee?

[Komar] I cannot comment on the activities of this committee because I am not on that committee, and besides, I know no more but the fact that it has been established. I envision the committee's role as ascertaining that rationality prevails in regard to bank privatization.

[Box, p 11]

According to AVU [State Property Agency] Managing Director Lajos Csepi, foreign capital should be attracted to the banking sector by increasing the banks' basic capital, but in such a manner that the size of the foreign share does not provide an opportunity for strategic decisionmaking. AVU Deputy Managing Director Gabor Slosar said that commercial bank stock thus far in the hands of state enterprises will soon be transferred under AVU ownership. This would further increase the state's ownership share in commercial banks. Banking Association Executive Secretary Miklos Pulai asserts that it would not be necessary to convert the state's direct ownership share into indirect ownership. Rather than doing so, a solution that leads to the faster modernization of the banking sector should be found. The Banking Association would like to increase the role of Hungarian private capital in the privatization of banks.

Elemer Tertak, the president of the National Savings and Commercial Bank, described in BANKLETTER the various alternatives available with respect to the privatization of banks and stressed that institutional investors would play a lead role in privatization. Budapest Bank Chairman and President Lajos Bokros envisions bank privatization as a result of capital increase based on the attraction of strategic investors. He stressed that the state must not sell its stock; instead, the state's share of ownership should decrease as a result of increased capital. Bank Privatization Committee Chairwoman Katalin Botos believes that privatization must not be accomplished in a rush. Bank portfolios must be cleansed first. In choosing buyers we should be on the watch to make sure that strategic investors purchase the stock, and that they are satisfied with small opportunities to exert influence. Botos further explained that the

bank privatization process will accelerate as a result of the financial institutional law. The committee has promised to develop a bank privatization concept by the end of February.

Employee Stock Acquisition Process 'Haphazard'

92CH0457C Budapest FIGYELO in Hungarian
19 Mar 92 p 7

[Article by Maria Vanicsek: "Employee Ownership—Away From the Fire"]

[Text] In these days, property acquisition by employees is more of a haphazard phenomenon than a process based on rules and on an automatic sequence of events. This article describes the reasons why this is so.

Several legal provisions at various levels exist regarding the acquisition of property by employees. The Corporation Law governs the institution of employee stock ownership, and the 1990 Property Policy Guidelines (rescinded by parliament in November 1991) regulate the extent to which enterprises may sell stock from the state's share of ownership to employees at preferential rates. We must note here that the new, draft Property Policy Guidelines not dealt with by parliament while awaiting a legislative package on privatization would further detail the extent to which stock could be sold to employees as well as the related benefits. Whenever stock is sold to employees, the AVU [State Property Agency] uses the benefits described in the new, draft Property Policy Guidelines as an internal rule.

Lacking uniform legal provisions, the AVU itself formulated internal guidelines to govern stock sold to employees and for the extent of benefits that may be granted. Accordingly, the total value of benefits that may be provided to all employees must not exceed 10 percent of the value of assets at the time of transformation, and the maximum benefit to provided to any individual must not exceed the amount of the amount of his annual gross basic wages. Finally, we have in force a 1988 Council of Ministers decree concerning certificates attesting to the ownership of assets, according to which the manager or the autonomous executive body of an enterprise may issue under its own authority such certificates. These can be obtained free of charge or in exchange for payment, but the value of these certificates must not exceed the value of 10 percent of the enterprise's assets, and further, no single issue of certificates may exceed the amount of taxed profits. The issuance of these certificates is not a matter under the jurisdiction of AVU; thus, enterprises issuing such certificates may present AVU with the accomplished fact of having issued such certificates. Nevertheless, these certificates must be dealt with in the course of enterprise transformations because they were issued under the authority of prevailing law.

In theory, the various legal provisions could provide an opportunity to combine various forms of employee ownership, and in this case the theoretical maximum volume

of property acquired could reach 30 percent. But the benefit based on the extent defined by AVU (which in turn, corresponds with the extent established in the draft Property Policy Guidelines) cannot amount to more than 10 percent of the value of assets at the time of transformation.

The economic conditions of enterprises, and within those opportunities available to workers to save and to invest, vary greatly. Since employee ownership does not yield executive ownership rights to subordinate employees and does not protect against layoffs, the employee's own, personal investment must be judged only from the standpoint of return on investment. Employee ownership is a bad business from the standpoint of subordinate employees in places where an employee's own investment does not yield the equivalent amount of interest paid by banks on long-term savings deposits. At first sight it appears that hardly any Hungarian enterprise could pay as much dividends as banks pay interest, but in reality this can be overcome by combining certain techniques, by discounting the par value, by providing an opportunity for installment payments, and by formulating interest-bearing stock packages. (For example, in the case of a 10,000-forint par value share sold at a 50-percent discount repayable in three years, a worker will pay 1,700 forints per year in the form of an investment from his own resources. This ownership share produces the equivalent of a 30-percent return paid in the form of interest by banks, even if the dividend rate is as low as 5 percent.)

The situation of managers differs from that of subordinates, and their motivations to acquire property is also different. Exchanging a quasi ownership situation for a real ownership situation may be justified even if such ownership does not produce predictable financial benefits in the short term, because as a result of their activities managers can directly influence the conduct of business. Notwithstanding this fact, legal provisions have failed to recognize this difference, and managers are able to enforce their ownership endeavors only as a result of their greater opportunities to accumulate savings and through their increased ability to enforce their own interests within a system of informal relationships.

Realizing the acquisition of employee ownership, particularly in the framework of cases initiated by enterprises, largely depends on the ways and the combinations of forms in which this institutional system enters into the enterprise's transformation plan, because in cases where this does not take place, the AVU is not going to initiate action to apply composite forms of transformation. Accordingly, the evolving ultimate form of employee ownership depends mainly on the micro power structure within an enterprise, on interest groups, and on the attitude of management—whether it wants to fight or reach an agreement regarding employee ownership. The situation may be further influenced by the competence of the consulting firm involved, and may depend on its attitude toward the institutional system.

The statistical record indicates that only a negligible volume of employee ownership has been established in 1991 in the course of transformations and privatization. Employees acquired some ownership in only 6 percent of the cases, or 34 instances. Considering the total value of assets involved in transformations, only one-half of 1 percent of those assets has been transferred under employee ownership. Various opportunities to acquire property have been combined only on one occasion, in the rest of the cases acquisition occurred as a result of issuing employee stock (16 instances) or by selling stock to employees (17 instances). The instances in which employees acquired property, the worth of property acquired fell far below the above-mentioned legally authorized level of employee ownership. In an average, workers acquired a 4.1-percent share of the founding capital from the assets of their transforming enterprises.

Accordingly, employees mostly act as a supporting cast in the course of privatization. One should consider nevertheless that creating owners out of this stratum, and permitting that their small stock be traded in an unrestricted matter at the capital market would be an important step in the direction of creating a Hungarian propertied stratum. To accomplish this, however, the institutional system should be developed on a much more deliberate basis; legal provisions, including standard rules for the application of these provisions, should be uniform, resulting in accessible funds supportive of investment.

'Contradictory Statements' on Gabcikovo Dam

92CH0445D Budapest 168 ORA in Hungarian
17 Mar 92 pp 24-25

[Interview with Laszlo Valki, government legal expert, Karoly Javor, member of the parliament's environmental protection committee, and Sandor K. Keresztes, minister of environmental protection, by Erno Kardos; place and date not given: "Gabcikovo (Bos)-Nagymaros—Black or White, Yes or No; A Minister Opposed to the Government? Churchill the Hungarian Way"—first paragraph is 168 ORA introduction]

[Text] Some contradictory statements surfaced recently concerning the Gabcikovo-Nagymaros Dam. In searching for reasons, Erno Kardos discussed the peculiar situation with Laszlo Valki, the legal expert of the Hungarian delegation, MDF [Hungarian Democratic Forum] representative and chairman of the parliament's Committee on Environmental Protection Karoly Javor, and Minister of Environmental Protection Sandor K. Keresztes.

[Kardos] The Hungarian Government has said for weeks that unless the Czech and Slovak Republic suspended construction of the Gabcikovo Dam, Hungary would unilaterally cancel the interstate agreement. A surprise of an international magnitude followed when a government official announced that a technical solution for realizing

the Gabcikovo-Nagymaros investment existed. To what extent has this statement disadvantaged the Hungarian negotiating delegation?

[Valki] Undoubtedly, this statement placed the delegation led by Ferenc Madl into a difficult situation; the Czech-Slovak delegation may get an impression that there are two Hungarian Government positions. Whereas, to the best of my knowledge, the Hungarian Government is maintaining its previous position unchanged. In other words, the position of cancelling the agreement unless they suspend construction work within a reasonable time and unless they continue negotiating with us.

[Kardos] What steps could follow, in your view? Which position of the Hungarian Government could be enforced?

[Valki] The majority view within the Hungarian cabinet has been presented to the National Assembly. Deciding whether to cancel the agreement is within the exclusive authority of the National Assembly.

The Worst Worst

[Kardos] Would it be possible to avoid environmental destruction as a result of some technical solution? Or does the Hungarian Government try to avoid conflict in order to maintain good neighbor relations between the two countries?

[Valki] One could apply a slightly changed version of Churchill's well-known statement: The Hungarian Government and the Hungarian parliament have a chance to choose between a bad compromise that comes about under humiliating conditions, or a serious international conflict. But conflict cannot be avoided by choosing the bad compromise. Operating the Gabcikovo Dam based on some technical solution would cause environmental damage a few years later, on a scale that would once again create serious conflicts between the two countries.

[Kardos] Has it occurred to anyone that this search for compromise resulted from the fact that in response to Jozsef Antall's second letter written in February the Czech and Slovak Federal Parliament decided to construct the dam by all means, even if the C alternative had to be used? In other words, that this is in response to the Hungarian prime minister and that at this time we must begin some diplomatic maneuvering to avoid the worst of the worst possible scenarios.

[Valki] I am afraid that a compromise reached on the basis of extortion is already a politically bad compromise. After the Nemeth government's suspension of construction two and a half years ago, after firm statements from the Antall government rejecting the idea of constructing the Gabcikovo-Nagymaros power plant, I find it inconceivable for a Hungarian delegation to negotiate with the Czechs and Slovaks about constructing at least the Gabcikovo part of the power plant.

Agreeing to different power plant parameters, nevertheless the rendering the power plant operational. This would not only result in a bizarre situation, but also in domestic and foreign policy conflicts.

[Kardos] Incidentally, you, as the legal adviser to the Hungarian delegation, were you present at the discussion between Sandor K. Keresztes and Vavrousek?

[Valki] No, I am not aware of such discussions.

[Kardos] What discussions do you usually attend?

[Valki] I was present at the intergovernmental negotiations. In other words, at negotiations conducted under the leadership of Minister without Portfolio Ferenc Madl. He was authorized by the Hungarian Government to conduct negotiations.

[Kardos] Why then, was it not Madl who negotiated with Mr. Vavrousek?

[Valki] I am unable to answer this question.

Blushing Delegation?

[Kardos] Were you aware of the fact that Environmental Protection Minister Sandor K. Keresztes conducted separate negotiations with Mr. Vavrousek? Was he authorized by parliament to do so?

[Javor] Under no circumstance was he authorized by the National Assembly to negotiate. I was unaware of these separate negotiations. The situation was embarrassing because the Hungarian delegation composed of members of the Environmental Protection Committee learned about these negotiations from a member of the Czech-Slovak delegation while negotiating in Prague. That is where we learned that Messrs. Vavrousek and Keresztes were negotiating in Budapest while we were in Prague.

[Kardos] Could it be that the Minister of Environmental Protection and other responsible government officials took positions contrary to decisions made by the government and by parliament?

[Javor] This is the conclusion everyone draws based on statements reported in both the Hungarian and the foreign press. I, on the other hand, believe that Minister Keresztes only followed a very complicated and difficult path to persuade the Czech-Slovak partner to suspend the construction and to perhaps cancel the agreement. I would find it inconceivable for the environmental protection minister of the Hungarian Government to regularly make statements contradicting the government's position, and to continuously deteriorate the position of the Hungarian negotiating team.

[Kardos] Could it be that certain forces—either within the government or in parliament—still want to see the power plant completed?

[Javor] I am convinced, and I am able to state this even more firmly after having seen analyses that were not

done earlier, that the operation of this power plant in any form or fashion would present the greatest problems.

[Kardos] Many, including some from the ruling party, claim that you represented a view opposed to the position held by the government and that you negotiated with a Czech-Slovak environmental protection minister about a certain technical solution.

[Keresztes] I would like to correct this statement. Minister Madl has been entrusted with the official negotiations. This, however, does not rule out the possibility of two or three competent ministers conversing with their Czechoslovak colleagues of similar competence about resolving this issue. This took place in the case of Mr. Vavrousek. Both of us pondered whether there was a solution that could satisfy the ecological requirements while not fully dismantling the plant.

The Minister Who Makes Corrections

[Kardos] Accordingly, you do not feel that you have weakened the negotiating position of the government. Even though the prime minister's letter indicated that there would be no substantive discussions until the other side suspended construction work, if I recall correctly.

[Keresztes] The letter stated that we would not be able to dispatch a joint expert committee to examine the issue until the suspension of construction work.

[Kardos] Mr. Minister, why did you not discuss technical solutions before the prime minister wrote his letter? Doing so in the process seems strange. This is one reason why the Duna Circle called for your resignation....

[Keresztes] We are willing to conduct official negotiations once construction comes to a halt. This should not rule out the possibility of joint thinking about what would happen after the cancellation of the agreement, if that happens at all. This is the area where I disagree with a few prominent members of the Duna Circle: Cancelling the agreement is no solution in my view. It is not a solution, in part because the project cannot be left the way it is, while demolishing the structures does not represent a solution either. Accordingly, we are forced to negotiate with the Slovaks one way or another, because the problem can only be resolved jointly.

[Kardos] Accordingly, you firmly deny having tried to conduct separate negotiations contrary to the position taken by the government.

[Keresztes] This much is certain, it can be denied and proven.

[Kardos] Did you tell the head of the official government delegation that you conducted negotiations in regard to this matter?

[Keresztes] I have said this a dozen times, I have not conducted negotiations regarding this matter. No secret negotiations whatsoever have taken place.

Dispute Over Delayed Telecommunications Law*92CH0457D Budapest FIGYELO in Hungarian
19 Mar 92 p 16*

[Article by Erzsebet Eller: "Debate Over the Telecommunications Law: Struggle for Monopolistic Rights"]

[Text] Not only is the telecommunications law delayed, the government's proposal is also incomplete, according to entrepreneurs who, in the meantime, prepared their own proposal.

At a Qualitel conference two weeks ago, KVHM [Ministry of Transportation, Communications, and Waterways] Division Chief Imre Bolcskei talked about the opening of a series of events to permit entrepreneurs to learn everything possible about the telecommunications law now being prepared. As originally planned, the telecommunications law would have been enacted in the fall of 1990 and would have been followed six months later by directives in the form of a decree, so as to permit the issuance of tender invitations for concession bids in these weeks and days in the spirit of the law and the decree. This schedule has been established because only by observing these deadlines would it be possible for potential service providers—including MATAV [Hungarian Telecommunications Enterprise]—to join the market based on the new digital grid network, which is to be delivered in late 1993. In contrast, the law has not even been adopted by parliament, and the entire program has been delayed by two years.

You, Yourself, Mister?

Bolcskei himself would not have believed that the series of events he mentioned would continue a week later with a press conference given by entrepreneurs and local governments interested in providing telephone services. Dunatel Corporation Chairman and President Peter Pecz wanted to inform the public not only about the fact that he believed that the government's legislative proposal concerning telecommunications had shortcomings, but also about a legislative proposal the entrepreneurs and the local governments jointly drafted. They did so because the telecommunications law would determine the available opportunities in the long term. Anyone obtaining concessions based on this law—i.e., a monopoly—acquires a long-term business. Due to the concession system and the special character of telecommunications, competition is not going to be keen in the course of delivering the related services, but at present, when future service providers are selected. Why did the entrepreneurs prepare an alternative legislative proposal? Or, why have they not done so much earlier? Because they felt that drafting a legislative proposal was none of their business.

In a Package

It is not their business to draft a law, but it is their business to prepare for enterprising in the spirit of the law drafted by the government. But in order for them to

prepare themselves they need a law which clearly defines the scope of entrepreneurial activities. And as long such a law has not been prepared as late as in March 1992, they themselves were forced to draft that law, the entrepreneurs claimed. They hope that the law they prepared as part of social debate would be considered by the ministries having jurisdiction, the government, and in the end by parliament.

What is the essence of the telecommunications law? We have already informed our readers about the basic precepts of the law (FIGYELO No. 50, 1991). The already-mentioned Qualitel conference stressed that the postal service law—as it is publicly known, as well as the frequency and telecommunications law, would jointly be presented to parliament, to be followed by the related radio and television law soon thereafter. The KVHM claims that the telecommunications law would open the telecommunications market to entrepreneurs, particularly in the field of telephone services. The law itself would provide a framework for that, and contracts based on the law would deal with the substance.

Among other matters, the law would discontinue monopoly in regard to ownership and activities. At present the basic network is owned exclusively by the state. But as stated at last week's press conference, what exactly belonged to the basic network and what remained under state ownership would be clarified only after amending relevant provisions of the civil code of laws concerning MATAV's privatization. (Resolving this issue is important because the grid network is being built with MATAV's financial participation, and it would be odd if that enterprise did not increase its own assets as a result of its investments.)

Returning to the telecommunications law: Among other matters it defines that MATAV and the Broadcasting Enterprise—the latter should by no means be disregarded as one factor in the telecommunications market—remain under state majority ownership, but these enterprises will be able to conduct their activities without a concession agreement for two years at most. The law also defines the scope of competitive service provisions, areas in which the market decides the manner and pace in which the network is going to develop.

Bolcskei stressed that the start of entrepreneurial activities is conditioned, among other things, by the adoption of the law, and by the drafting and promulgation of government and ministerial decrees. Entrepreneurs criticize the proposal precisely for this reason. In their view, the law could be developed in the course of two or three months to a point that entrepreneurs could begin functioning without having to wait a minimum of six more months for the promulgation of ministerial decrees, which could be eliminated altogether. To accomplish this, it would not suffice to merely touch upon issues related to concessions in the framework of the law, but instead, the law should establish the most important specific standards relative to concessions. For example,

the draft law does not address the issue of who would pay what size concession fees, and how tariffs would be distributed. Entrepreneurs are unable to reach decisions unless they know the answers to these questions, according to Peter Pecz.

Since the concession law frequently refers to the [industrial] branch law that would respond in detail to the various issues, it would be very important to declare that in this field the telecommunications law constitutes the [industrial] branch law itself. And as long as this is so, the telecommunications law should be responsive to expectations and fill the voids in the overall concessions law.

A Feeling of Want

Entrepreneurs and local governments claim that the present legislative proposal is inadequate from the standpoint of this requirement.

The law has as one of its functions to operate the telecommunications market efficiently. As we mentioned before, the entrepreneurs—or at least a group of entrepreneurs represented by Dunatel—believe that the law should describe a “system of relationships that may be defined in terms of a closed algorithm.” And further, the law should also guarantee competition neutrality, in

contrast to the present concept, in which the law treats MATAV as a monopoly.

The concessions would be announced by the government of course, but local governments could also initiate concessions, Justice Ministry expert Dr. Emese Toth said at the Qualitel conference. Based on the proposed law, public mobile telephone services, public telephones and personal calling systems, as well as the distribution and broadcast of public service programs could be transferred under concessions to the entrepreneurial sphere, according to the draft law. The system of concessions must not be confused with permits to be granted by the authorities, because in issuing permits the examination focuses on the existence of personal and material conditions on part of the entrepreneur to perform the agreed upon function (and these conditions would be established in advance as part of the legal provisions), the law on concessions includes no itemized listing of these, according to the Justice Ministry lawyer. What we know with certainty is the fact that the winner must establish a concession corporation in order to agree to pursue the concession activity on an exclusive basis and to perform the related tasks. As a result of this provision the law intends to prevent cross financing, asserting that the financing of another activity from revenues derived from the concessions may lower the standards of the services provided by the entrepreneur.

Nationalist Party Introduced; Program Presented
92EP0282A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 9, 1 Mar 92 pp 1, 10, 11

[Article by Ryszard Socha: "Simple Recipe"]

[Text] Our nationalist colleagues want to create a great Poland for Poles.

"Our aim is taking power," says Wojciech Bela, deputy chairman of the Polish National Front [NFP]. He does not look his 23 years of age. He has the face of a nice boy who listens to his parents. He does not, however, speak of his parents with a nice attitude. They are well off. Maybe, that is why they are so down to earth, devoid of any higher ideals. They do not think, that is, of doing something for all the people, for the state.

Members of NFP want to do something. They want to create a great and strong Poland, a state to inspire respect and esteem in the world, something opposite to the country we are living in right now, a Poland for the Polish. In their ideological declaration they state: "The nation, as a permanent, indivisible and conscious community of people of one race and culture of common history, goals and aspirations, is the highest value for every Pole."

The chairman, Wojciech Podjacki, called "the leader" by some, is barely 22 years old, and will take his baccalaureate this year at the Mechanical School in Gdansk. The idea of the NFP was born in his head out of the frustrations and dreams of young age. He recruited his school mates, including Bela. Altogether, there are thirty of them from the same school. According to its leaders, the whole party has a membership of 500-600 people. They are from Katowice, Bytom, Bialystok, Lublin, Szczecin... but the greatest number are from the tri-city area [Gdynia, Sopot, and Gdansk]—over 100.

The membership includes: supporting members, candidates for real members, and real members. Supporting members may participate in NFP actions, if they wish to, but they do not have to. It is different for candidates. They receive various tasks to perform and have to participate in training once a week. They learn the particulars of the party ideology and its methods of operation. They learn how to agitate. If they perform their duties well and pass an exam, they may, by the decision of the Great Council of NFP, be promoted to real members, that is, become the personnel, or the elite, of the party.

They have the right, then, to wear the party uniform: a light beige military style shirt, a black tie, and black trousers and shoes. Heads of party units also wear a white and red arm band with a round emblem of NFP. This is modeled, as they say, on the Great Poland Camp of the period between the two world wars.

The majority of members are people between 18 and 30 years of age. Even though several older people joined after propaganda campaigns, the leadership, according

to Wojciech Bela, is composed exclusively of young people. They have the energy, the spirit, and the will to work. It is the young that have to fight for their future. The older people, after all, are blemished by their communist upbringing. They have a tendency to personal conflicts. They quarrel more and work less. They should rather write memoirs.

A negative opinion is also expressed about the Polish National Party [PSN] with which NFP shares ideology, but does not work together. As NFP puts it, the PSN is not a dynamic organization, or a radical national one. NFP is radical. Its members are not afraid of the word "nationalism."

"We are nationalists," declare the leaders. "The director of our school uses a formula from the four volume encyclopedia published by the communists. It contrasts nationalism with patriotism. For us, however, nationalism means an active form of patriotism, which not only shows at moments of crisis, but is carried by a person at all times as a sense of a spiritual bond with the nation."

Contrary to other national groups, they reject the notion Polish=Catholic as a misrepresentation of the present realities. A Pole may just as well be an atheist, or a Protestant. Religion should not divide the nation. Representatives of a pacifist faith, as for instance the Jehovah's Witnesses, will not come to NFP anyway, since this is not an organization for pacifists.

Even though NFP is not associated with Tejkowski's Polish National Party in any way, representatives of the Front did give active support to the anti-German action at Zgorzelec.

They also maintain that they are not wearing the side-flaps that the conspiratorial theory of history puts on the eyes of national groups. That is, at least, what they think, because they do not blame Jews and Freemasons for all the Polish disasters. They do, however, believe that many people in the government are not of Polish descent. Is it, after all, possible that nobody up there knew anything about the activities of Mr. Bagsik? On the whole, however, things are perceived by NFP in a wider perspective: Solidarity was financed by the West, and nobody gives money just because they do not like communists. Subsequent changes in Solidarity leadership, therefore, were only an appearance. All the governments were like an agency for the interests of the western financial communities, especially American (dominated by Jews) and German.

They, the Polish nationalists, have to oppose the present foreign economic expansion and foreign models. They have to wake the nation from inertia and stagnation. For the time being, people are tired, but when they see that they have been cheated again, they will decide to support NFP, and they will decide to fight the last battle. It is important that the moment of awakening does not come too late, when the national wealth is already in foreign hands, when there is no army, and the government is totally bought.

Graduates of universities and colleges are least prone to the influences of the NFP ideology. Their studies, explain the nationalists, infect them with cosmopolitanism.

The plan of salvation is simple. It is necessary to eliminate corruption, to take away the wealth that had been gained this way, and to give the money to the army, and the police, and to education. The society has to be, first of all, guaranteed security and education. And, of course, appropriate living conditions. Money for all that will come from taxes. At the same time, however, taxes have to be lowered. Moreover, low-rate credits have to be offered so that Poles may buy the national wealth. On the other hand, it is necessary to stop paying debt interests since they had been incurred by the government and not the nation. If our policy is tough, this type of decision will not bring protests, but only respect.

Officially, they address each other as "kolego" [colleague]. Those who belong to the personnel of the party are carefully groomed. No such fads as pony-tails. That is good for anarchists, whose group, by the way, attacked an NFP office two weeks ago. Anarchists are considered by NFP one of the main threats to the state, a destructive element. Together with drug addicts, alcoholics, and criminals, all of them have to be absolutely eliminated from the life of the nation. When NFP takes power, alcoholics and drug addicts will be forced to go into treatment and will be rehabilitated through work. Prisons for anarchists and criminals will have to look different than what they are now. Doing time has to be punishment and not some sort of vacation. Convicts will be used in public works; they will build roads, bridges, and renovate historical buildings.

"There is a lot of work," stresses Wojciech Bela, even though one third of NFP members are unemployed. Bela, himself, is an unemployed graduate living on unemployment benefits. He graduated from his technical school last year. Until now he has had no job offers from the employment office. Besides that, he is not sure that a steady job would be a good solution at present. It might interfere with his party work. This is, after all, the prime objective and everything else is secondary. The private life of a real member of NFP has to be permeated with the party spirit. Party activity may not be treated as a hobby.

Sacrifice is indispensable. The chairman is the model. He was born nationalist. The organization is everything to him. If he reads anything, it is always from this point of view. He does not indulge in any entertainment. He does not sway under negative influences, for instance, it is impossible to corrupt him. Besides studies at the technical school and NFP activities, he trades in lumber and the earned money is donated to the party. Real members pay the monthly dues of 100,000 zlotys [Z], candidates, Z50,000, and supporting members, Z10,000.

The Polish National Front is not a paramilitary organization and it does not intend to be such, although it has

a sentiment for the army and many members are interested in guns. When the television showed Moczulski's "shooters," Vice-Chairman Bela thought they were simply ridiculous. Such disorder, such lack of discipline... Something like that would not be acceptable in NFP. Here, the hierarchy is binding. Orders from a superior must be absolutely carried out. Thanks to this, Bela explains, they are not threatened by disunity and personal conflicts.

The vice-chairman cannot at all understand why others often call their organization fascist. Fascism is associated in his mind with hostility to Poles. And they are first and foremost Polish. They do not consider themselves anti-Semitic either. If they do, it is in the same degree as being anti-German, anti-Ukrainian, or anti-Lithuanian. They do not divide nations into better and worse. Representatives of no nation, however, may be allowed to become a threat to Poland. That is why ethnic minorities should be refused the passive suffrage. They may vote, but only for Poles. How about Poles living in other countries, then? Oh, this is a totally different matter. They have to have all the rights.

A few months ago, NFP, which was registered in March 1991, had several dozen members. Right now—several hundred. Its leaders believe that more will join soon. They will attract them with their dynamism and devotion. People who write to them, and want to have some contact, are usually surprised when in two or three days following the receipt of the letter an NFP representative arrives. They travel, often using their own money. They spend nights in Spartan conditions, at railway stations, at a fast food restaurant drinking tea. All that to make the movement strong. A person who does not have ideals, no goals in life, is, according to Bela, a mere yeoman. They, themselves, have a goal: the organization they had dreamed of. Without politicking and compromises. A party above all parties.

Institutional, Social Barriers to Privatization

92EP0270A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 10, 8 Mar 92 pp 4, 5

[Article by Stanislaw Albinowski: "Without Myth-Making"]

[Text] Privatization alone is not a guarantee that an enterprise will become more effective.

In the economic program of Jan Olszewski's government, privatization had to step down from the pedestal of revealed truth, a miracle medicine for all our ills, and an autonomous method for a market remodeling of our socioeconomic structures. It became, however, one of the elements of the economic policy. In the program, of about 30 pages, this particular issue occupies one page and a half, and appears in the last chapter.

Designating the right place is important, but does not solve the problem. A number of questions emerge, for

example, is it consistent to make privatization an integral part of the antirecession and anti-inflation program while increasing the scope of general privatization? Both propositions are uttered almost in one breath by the new minister, Tomasz Gruszecki. The prime minister has announced that the current year will be devoted primarily to preparations, which means that privatization in the "new version" may not fully start before 1993. He has declared, at the same time, that by 1995 half of the state economy, valued at about \$80-90 billion, will already have been privatized. Isn't this vision exceedingly optimistic, though?

Previous privatization, headed by minister Janusz Lewandowski, was a failure. Through public auctions it was possible to sell only six enterprises (instead of the anticipated 20), and selected investors were sold large packages of shares of another 18 enterprises.

"Privatization through liquidation" was supposed to reach a wider scope than the capital privatization which enlisted 200 enterprises. Almost 700 enterprises were listed for the former, but they jointly employed only 61 thousand people, that is, 1 percent of all those working in the six main branches of the national economy. We do not know how many of these "liquidation" transactions were accomplished. It is a known fact, however, that suspicions of falsified auctions and sales at lowered prices are multiplying. To give an example, investigation has been started by the prosecutor's office in the case of "Bistona" in Lodz, which the Ministry of Industry sold in June last year, by the decision of Deputy Minister Stanislaw Padykula, to an Italian firm for \$2 million (while the official estimate of the plant was \$26 million).

Eventually, revenues from last year's privatization, instead of Z15 trillion, were only Z2.5 trillion, that is, about \$250 million, which is 0.3 percent of the value of the state sector in the Polish economy.

The so-called general privatization was supposed to give impetus to ownership transformation, which MPW [Ministry of Ownership Transformation] first planned for 400, then only for 200 enterprises. Until its last days, however, the government of Prime Minister Bielecki could not find such divisive principles that would not generate justified and substantial criticism. Objections of pragmatically minded economists were not accommodated either. These economists maintained that the sale of stocks or shares would not improve the conditions of enterprises, and, contrary to statements by people like Prof. Jeffrey Sachs, would not make workers "feel as part of the new economy instead of its remorse" (ZYCIE WARSZAWY, 12 February 1992).

Those politicians that treat privatization as an instrument for a quick dissolution of the socioeconomic structures of the so-called real socialist era are complaining that the climate for privatization is not good at present (former minister J. Lewandowski), and that this supposedly ensues from "feeding people fear and scandals" (former minister Henryka Bochniarz). As it appears,

again, the culprits are journalists who write about scandals and publish the results of social studies. This belief in the magic power of words could only flatter the media, if it were not that it is only meant to serve as a smoke screen for the failures of just another government. Which newspaper or television station would be able to force the nation to believe, as the latest CBOS [Public Opinion Research Center] polls indicate, that the rich, contrivers, and schemers benefit from privatization the most? Why, then, do only 2 percent of the surveyed share the opinion that benefits will be reaped by average citizens? Is this also a creation of mass media?

GAZETA WYBORCZA of 17 January 1992 published the above results under the title: "Poles Fear Privatization." CBOS maintains that "the cause of the increasing resentment (of the people) to quick ownership transformations is not the process of privatization itself, but fears of layoffs and unemployment." This reason alone would be enough, but the sociologist Julian Pankow sees the problem as deeper than that. "In the last two years," as he writes in a commentary to survey results, "approval for private ownership has risen, but it does not mean that people accept privatization to a greater degree. They are critical about the methods of its implementation." After the announcement of the price bids for the first five enterprises, the willingness to take active part in privatization dropped by two-thirds. We are just too poor to buy stocks (bold print by Stanislaw Albinowski).

There are, thus, four objective reasons for both the growing resentment of the society to privatization and the current failure of the government in this area. The crux of the matter, on the other hand, is the fact that following the path of economic privatization is unavoidable.

After the experiences of "real socialism," this statement in itself is unquestionable. It opens up, however, a whole area of contradictory problems. Finding a solution to these problems will certainly be the most difficult barrier on the road "from socialism to the market." The limitations of the present article will allow me to only point out the main ones.

First: Should the whole state sector be privatized? If not, what should remain in the hands of the state? I believe that the answer is: those branches and enterprises that are crucial to economic security and defense. Arms Industry plants should remain fully owned by the state. Enterprises important to infrastructure, that is, coal mines, electric power plants, railroads, sea ports and airports, should admit the participation of private capital (Polish and foreign) with specified minority shares. A list of such branches and enterprises has to be made with great precision. The current government program does, finally, contain a fulfillment of this postulate ("a map of ownership transformations" will be worked out).

Second, we have to realize that privatization is not an end in itself. From the economic point of view its main

reason is to raise the effectiveness of management in an enterprise (the macroeffectiveness of the national economy is determined by the state economic policy). Important implementation consequences ensue from this premise and they have not yet been expressed emphatically enough. One of them is: Privatization alone is not a guarantee that the enterprise will become more effective. A prerequisite to go along with it is a restructurization of the technology, products, management system, employment, and marketing, which means, everything in the economic process that creates financial success. Naturally, a restrictive monetary and fiscal policy of the state may ruin even the best enterprise, but nothing (except subsidies, which only in some cases are a lesser evil) may save a bad enterprise (unadapted to market requirements).

In general, this type of restructurization requires, however, enormous investment resources, imported know-how, organizing of a sales network, service, etc. That is why it does not make sense to merely transfer the title to a property, for instance, to a group of employees or to the whole society, including children (as one new project of the general privatization proposes). It has to be stated unequivocally: The so-called general privatization, or distribution of capital bonds (even for a symbolic price), only feigns privatization, and will not change people's attitudes nor the practices of enterprises. The state should promote privatization, but it should not be "enforced," or done for the sake of an appearance that something is happening after all.

Only real privatization makes economic sense, that is, when an enterprise is bought for real money (or for foreign debts). On the one hand, the state treasury benefits from it, and on the other, a chance emerges to modernize the enterprise, the cost of which is calculated by the buyer in the price he pays. Even that, in fact, does not guarantee the expected results, as evidenced by the irrefutable fact of the many enterprise bankruptcies and mergers of concerns in the West. An opportunity, nevertheless, may emerge that an impoverished state enterprise does not have at present.

If we adopt this line of thinking, we have to discard all talk of a quick privatization as myth making. There is no denying the fact that we lack domestic capital to buy enterprises even of a medium size, or the fact that foreign capital is not eager at all to invest in Poland. We have to realize that the privatization of our economy will be a long process.

Here, we encounter another problem: The state industrial sector will not disappear from one year to another, unless we deliberately keep ruining it. Let us hope, however, that this particular idea of our liberal "fighters" has been buried. If, therefore, the program of Jan Olszewski's government is to be implemented, its most important component has to be an active industrial policy to modernize (quickly commercialized) state enterprises. Means for this purpose exist in the multibillion (dollar) foreign credits that have not been utilized

yet. All that is needed is imagination and determination to match the scope and the meaning of the task.

Solidarity, Ex-Communist Union Relations Viewed

AU1504174792 Warsaw RZECZPOSPOLITA in Polish 13 Apr 92 p 2

[Interview with Ewa Lewicka, deputy chairman of the Mazowsze chapter of Solidarity, by Inka Slodkowska; place and date not given: "The New Solidarity"]

[Excerpts] There used to be a chasm separating Solidarity from Alfred Miodowicz's OPZZ [All-Polish Trade Union Agreement]. What is the relationship between the OPZZ and Solidarity today?

[Lewicka] There are quite considerable differences between the OPZZ and us. For one thing, most of the OPZZ's factory branches are weak and inert. They are accustomed to acting on the same side as the management, not against it. Our own factory branches are energetic. They resolve many matters and are accumulating experience. So one can say that in this regard we are far removed from the OPZZ. On the other hand, we are definitely weaker than the OPZZ at federation level and national level, where the OPZZ's assets permit professional trade union activity. Solidarity does not possess such a material base, since the assets we have regained are only a fraction of what was taken from us. Nevertheless we do want to be a fully professional union, and for this purpose it is essential to expand trade union structures at the national level. The OPZZ already has such structures, which employ many people and supply all the information it needs. Solidarity no longer has them, although some of our chapters have a good specialized backing. Obviously this is mainly a question of money. There is not enough money for full-time employees, written information, or other back-up services for the union. [passage omitted]

[Slodkowska] What are the main points of your program?

[Lewicka] First, to convert our local structures from purely administrative ones into administrative-industrial ones, which requires changes to the statute. After that come four basic paths of action. First, the introduction of factory-level talks on the subject of collective labor agreements, in which wage issues, work safety, social security, termination of employment, and promotion are all treated on the same level. Second, the conclusion of branch industrial accords, which also requires an amendment to the law on collective agreements. This is one of the tasks of our parliamentary club. Third, the inclusion of employment and unemployment in overall government policy as integral parts thereof. One way of making sure of that is by holding regular contacts with the government. Fourth, a complete reform of all the spheres that provide services to society, in other words health, education, and culture. No government has pursued a cohesive policy in these spheres

so far, but the union has a program on how to reform them. Let me add that in the West, a good trade union does everything, otherwise its members would complain that it is only concerned with wages and not social security.

[Slodkowska] As far as details are concerned, Solidarity's ideas are no doubt different from those of the OPZZ, but the general outline you have presented is not much different from what the OPZZ has to say. Is cooperation between Solidarity and the OPZZ possible?

[Lewicka] Last year, when we formulated the outline of our program in opposition to the Bielecki government's policies, the OPZZ said it had a similar program. Perhaps at this level there are no major differences between us. However, as I said, Solidarity is much more ready to oppose employers and hold talks with them inside enterprises. Nevertheless, there have been cases of cooperation between the two unions. Therefore the greatest differences between us lie at national and federation level. It could not be otherwise, after all we have not settled scores for what happened in the past. [passage omitted]

Changes in Defense Ministry Staffing Viewed

Szeremietiew's Political Profile

92EP0279A Warsaw *RZECZPOSPOLITA* in Polish
14 Feb 92 p 2

[Article by Zbigniew Lentowicz: "Ministry of National Defense: Conflict of Conscience Resolved"]

[Text] "I found out from the press that I was expected to leave the MON [Ministry of National Defense]. There were no earlier conversations on this topic. In an interview published in *NOWY SWIAT*, Jan Parys said that the most natural resolution would be for us to submit our resignations, which I have done, too," Janusz Onyszkiewicz said on 13 February, after the closing session of the Sejm Commission on National Defense. Onyszkiewicz was the second deputy minister to leave the MON in recent days (the other was Bronislaw Komorowski). Both deputy ministers assumed their duties during Tadeusz Mazowiecki's administration. They do not belong to any party, but they are members of the Parliamentary Club of the Democratic Union.

"Ministers Komorowski and Onyszkiewicz are political activists," Jan Parys stated on Thursday. In the opinion of the head of the MON, the department should be consistently apolitical: "Both gentlemen are members of the deputies' club which voted against the creation of the current government. They have not relinquished their affiliation. A potential conflict of conscience between loyalty to the club and loyalty to the government existed here."

In the opinion of the minister, the executive functions in MON should be carried out by people who will give up their active positions as politicians and party leaders.

According to Minister Parys, the man appointed to the position of undersecretary of state in this department, Romuald Szeremietiew, is such a person, because he has recently been operating outside the mainstream of political life and currently has completely resigned all his functions in the Polish Independent Party. "In the opposition, which was built more than ten years ago, there was, in addition to the trade union faction, a politically independent faction. Szeremietiew was one of its leaders. I think it would be proper for people from this faction to be represented in the department of defense, and I believe that this will be well received by the cadres," explained Jan Parys.

The minister was asked how the current cadre movements within the department are faring in their attempts to broaden the governmental coalition to include, among others, the Democratic Union. The minister replied that he did not take part in the building of Olszewski's cabinet. He is also not taking part in the current talks. The prime minister embraced Parys's proposal to accept the resignations with full consciousness of the political consequences.

Janusz Onyszkiewicz is of the opinion that his and Bronislaw Komorowski's two years of activity do not entitle anyone to raise objections against them for practicing party politics or disloyalty toward the government while serving in the department. "In the voting to appoint a cabinet, we acted just as our convictions dictated that we act. The government had only just been created," said Onyszkiewicz. "The issue of our behavior as deputies was an open question regarding the future."

In the former deputy minister's opinion, Romuald Szeremietiew has a very clear political profile and his formal departure from the party does not change this picture. "On the topic of the departure of the generals, the members of WRON [Military Council for National Salvation], there were no differences of opinion between me and the minister. I raised this question myself several times before," said Onyszkiewicz. There were no differences of opinion regarding the direction of policy either: "For a long time I had promoted closer ties with both Western countries and with NATO organizations."

"I am not taking part in the political discussions, debates, or resolutions. However, undertakings of this sort, such as the dismissal of Minister Komorowski and the creation of a situation in which I, too, am submitting my resignation, are not in accordance with the plans to win over the Union for a wider coalition," said Janusz Onyszkiewicz.

Politicians on Changes

92EP0279B Warsaw *GAZETA WYBORCZA* in Polish
14 Feb 92 p 5

[Article by Bartosz Dobrzynski and Jerzy Jachowicz: "What Is Going On in the Ministry of National Defense?"]

[Text] On Monday, Prime Minister Jan Olszewski dismissed Deputy Defense Minister Bronislaw Komorowski—at the suggestion of Defense Minister Jan Parys. A day later, a second deputy minister of defense, Janusz Onyszkiewicz, submitted his resignation. Onyszkiewicz, like Bronislaw Komorowski, had assumed his duties in the government of Tadeusz Mazowiecki. Both deputy ministers are deputies of the Democratic Union.

Romuald Szeremietiew, a leader of the Polish Independent Party, became the new deputy minister of defense. His group is demanding the creation of a professional volunteer army and, in addition, local defense units made up of conscripts.

GAZETA WYBORCZA asked the former deputy ministers as well as deputies Jan Rokita (KPUD [Parliamentary Club of the Democratic Union]), Maciej Zalewski (PC [Center Accord], chairman of the Sejm's commission on national defense), and Krzysztof Krol (chairman of the KPN [Confederation for an Independent Poland]) to comment on the changes in the MON [Ministry of National Defense].

Janusz Onyszkiewicz:

"I submitted my resignation because that is what Minister Parys was clearly hoping for. For example, in his interview on Saturday, which appeared in the NOWY SWIAT newspaper, he presented an analysis of my and Bronislaw Komorowski's situation. He acknowledged that our stepping down from the position was a natural way out.

"The naming of Mr. Szeremietiew to the post of deputy minister of defense did not influence my decision, because I had decided to leave earlier.

"Defense policy should not be party policy. It is not good when people dealing with defense issues are too connected to some political party.

"I am not a member of a political party; however, I belong to the Parliamentary Club of the Democratic Union. In my work at the Ministry of Defense, I strived to be guided exclusively by the interests of the state, and I hope that that is how my successor will behave.

"Among the achievements of the department in the last two years—to which I hope I contributed a little—I regard the change of orientation to a Western one, the rapprochement with NATO, and the creation of a basis for cooperation in the Wyszehradzki Triangle.

"Now I want to occupy myself intensively with work in the parliament as a member of the Sejm's defense commission."

Bronislaw Komorowski told GAZETA WYBORCZA that he will not comment on issues that concern him personally.

Jan Rokita:

"For us, the dismissals of the two deputy ministers of the MON are not a surprise in light of the overall shape of the government's policies in recent weeks. We realized that in the present atmosphere the dismissals were inevitable. Evidently, the government does not want to have any high officials connected to the Democratic Union.

"The most fundamental problem in the MON is achieving a precise division of constitutional powers between the president's office and the governmental structures. The lack of clarity that prevails here has caused rather shocking arguments, such as that between the office of national safety in the Chancellery of the President and Minister Parys. These arguments not only do not bode well for the stability of the army but diminish the prestige of the state as well. Of course, the dismissals of deputy ministers Komorowski and Onyszkiewicz in no way solve this problem.

"It is well known that there exist certain divergences between the opinions of Minister Jan Parys and Minister Skubiszewski as to the method of conducting Polish foreign policy.

"Minister Onyszkiewicz was the figure in the MON who shared the approach to foreign policy that was pursued by Minister Skubiszewski. One may therefore reflect upon whether the resignation, in effect the dismissal, of Onyszkiewicz signifies the weakening of Minister Skubiszewski's options in issues of foreign policy."

Maciej Zalewski:

"Szeremietiew will have a difficult task because he embraced the heritage of a man who fulfilled his role well. Bronislaw Komorowski came to the army as the first civilian and succeeded in nearly completely depoliticizing the army.

"The nomination of Szeremietiew is surprising if one looks at it in political terms. In light of the views Szeremietiew expressed as a politician, entrusting him with this position indeed seems controversial."

Krzysztof Krol:

"Changes in the MON were always necessary. They should chiefly concern political positions. Considerably more important, however, is putting the army's cadres in order in a purely military sense. Trading the old body of generals for many young, capable officers, who may be easily located (especially in the so-called green garrisons), should have taken place long ago. Those who won the rank of general in Moscow or during the aggression against Czechoslovakia in 1968 should be replaced.

"We know Romek Szeremietiew very well. We respect him and regard him highly. We hope that he, like every employee of the MON, will suspend his political views and leave his party identification card at the ministry's door.

"We believe that only the minister—a person nominated and accepted by the parliament—may have political views in the MON, not nominees.

"The MON was always important to the KPN, because it was seemingly a forgotten department during the last two years. That is why we proposed Leszek Moczulski as our candidate for head of the MON. We did not count on the post in this government, because we did not want to take part in something upon which we have no influence.

"Looking at the work of this department in recent weeks, I must say that Minister Parys would be one of the few ministers who could have remained in his post had the government been formed with our participation."

Effect of EC Agreement on Agriculture Viewed

92EP0297A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 4 Mar 92 p 1

[Article by Edmund Szot: "An Opportunity or a Death Sentence?"]

[Excerpts] Is Poland's admission to the EC an opportunity for our agriculture, or is it a sentence? In other words: a nail in the coffin?

An answer to this question was sought at yesterday's meeting of farming journalists, in which the following also participated: Piotr Dabrowski, deputy minister of agriculture and food economy; Janusz Maksymiuk, chairman of the main council of the National Union of Farmers, Agricultural Circles, and Agricultural Organizations; Andrzej Lepper, chairman of the Agricultural Trade Union "Self-Defense"; Witold Pereta and Jerzy Milewski, representatives of ANIMEX [an exporting company]; and Janusz Rowinski, an expert on EC affairs.

One would think, said Witold Pereta, that it is not Poland that is applying for admission to the EC, but the opposite. He gave the following example of the benefits that will accrue to our country after its admission to the Community. Two years ago ANIMEX's exports to EEC countries totaled \$300 million. Compensation fees and duties amounted to almost half of the value of exports. If Poland had been a member of the Community at that time, its receipts from exports would have totaled not \$300 million, but \$450 million. Although as of 1 March this had not yet occurred and the process of our country's entry into the EC will take about 10 years, nevertheless the promise of fewer restrictions each year on food trade will have an influence on the growth of export and thus will also increase the incomes of the farmers.

The representatives of both farm trade unions brought up another problem. In their opinion, one of the conditions which we had to fulfill before talks on EC membership were begun, was to agree to reduce the production of Polish agriculture, and to partially "extinguish" it. And they asked (Janusz Maksymiuk) whether the reduction of farm production has already ended. It

turned out that this type of problem was not brought up at all during the talks, and there is no entry in the agreement on Polish farm policy. It may remain fully autonomous and oriented towards a stimulation of farm production.

Andrzej Lepper gave a very original answer to the question constituting the title of this article. In his opinion, Poland's association with EC is an opportunity for Polish agriculture. Unfortunately, this opportunity is belated because three previous governments, including Rakowski's government, have already pronounced a sentence on Polish agriculture. Of what avail, therefore, is the ability to increase exports now, when production has fallen, when animal herds have been reduced, and when the countryside is barely gasping? And what has the West given us thus far? Milk cartons and credits, which we cannot eat.

Year End Review of Bank Union Activities

92EP0296A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 3 Mar 92 p III

[Article by Pawel Jablonski: "Polish Bank Union After a Year: In the Interest of Banks and Their Customers"]

[Text] A general conference of all members of the Polish Bank Union [ZBP] will open on 5 March in Jachranka, near Warsaw. ZBP is a self-government organization of the bank sector and its operation is based on the chambers of commerce law. The founders were 102 banks—state, cooperative, and private. During the past year, additional banks joined the union and its membership has already increased to 126 members.

As the founders of ZBP agreed, the main goal of their activity is finding solutions to problems shared by all the banks that arose during the recent years when the Polish banking sector started to grow very rapidly.

There is no standardized and stable banking education system in Poland. There are, however, a lot of offers, including foreign, to help educate bank personnel. These offers have to be coordinated and utilized to their optimum. ZBP wants to help in publishing appropriate manuals and learning tools, without which the organization of bank personnel education will not be possible. At present, the Program Council of the Katowice Banking School is being formed, and ZBP intends to play a significant role in it. The school will have a leading role in banking education in Poland. There are also efforts to create the Warsaw Banking School with the financial aid from the State Department and the European Economic Community.

Banking education is linked with banking research. The leadership of the union will present a resolution at the general conference proposing to create the Foundation for Banking Education and Research. It is hoped that the foundation will become a platform for cooperation among banks, research institutions, enterprises, schools, and both Polish and foreign scientific institutes.

Research, publishing, and training programs would be coordinated within the framework of the foundation.

The Union is a shareholder and cofounder of the National Chamber of Accounting created last November. The chamber is a company to be responsible for handling interbank accounting. It is currently involved in preparations to establish the Telbank company, which will be in charge of setting up a modern interbank communications system. The Union headquarters houses an information center for banks and banking services. The 1992 *Polish Banks Almanac* will be published as a result of its work. It will be the most complete review of information on the Polish banking sector. The almanac will not be the center's only publication. It plans to publish various informational books and catalogues intended for bank customers and employees. They will be published by a publishing company established by ZBP, in cooperation with the Polish Bank for Development, and Softbank.

ZBP has also undertaken the task of creating the possibility to exchange opinions and information among the banking community, politicians, and employees of the central administration. Up to now, it has organized meetings with such people as: Deputy Prime Minister Leszek Balcerowicz; Andrzej Topinski, first vice president of the Polish National Bank; and Stanislaw Bereza, the director of the Banks Control Board. Future plans include meetings with representatives of various chambers of commerce.

At present the Union is financed from bank membership dues. It is expected that in future at least part of the financing will come from dividends from its shares in companies. Besides the companies mentioned above, a legal firm has just been established.

Recently, a group of banks, members of the Union, took the initiative to prepare its own proposal for the banking law that would cover all of its complexities. The matter will be discussed during the general conference of all the Union members. The Union presented several proposals for specific entries already during the work on amendments to the current banking law. On the whole, however, the amendments do not satisfy the banking community. According to the Union, the work is not finished. Changes in the banking law and in the law on the Polish National Bank should parallel the changes in other legislature. Only that may assure a harmonious development of the banking sector, and the legal equality between private and state banks, as well as a gradual elimination of the administrative steering of the banking system. At the same time, the law should protect the interests of customers to a greater degree.

The Union is not indifferent to problems threatening both the banking system and single banks. When customers' interests were threatened in the case of the First Bank of Commerce in Lublin, the Union undertook the effort to help the bank in solving its problems. Soon,

interbank disputes will be solved by a court of conciliation, which is just being formed.

Farming Organizations Voice Concerns

Union Proposals Stated

92EP0298A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Mar 92 p 1

[Article by Edmund Szot: "The Government Does Not Appreciate Agriculture"]

[Text] Lack of concrete systems solutions, lack of essential numerical data, failure to state principles of industrial and farm policy—this is how the main council of the National Union of Farmers, Agricultural Circles, and Agricultural Organizations assessed the assumptions of socioeconomic policy for 1992. In addition, the council, which met on 4 March, is not pleased with the fact that the financial drain on society is discussed in disturbing detail, while methods of halting the recession are hardly mentioned.

The council is especially disturbed that the government again does not perceive the specific nature of agriculture and that investment in it may be a way of bringing the country out of the crisis.

Following are the union's concrete demands:

- Minimum prices should apply also to procurement of beef and pork slaughter animals.
- The law on the Farm Market Agency should be amended.
- Low interest credits should be made available to farmers.
- The rate on investment and turnover credits should be 25 percent of the refinancing credit.
- Repayment of credits and interest should be suspended until economic conditions in agriculture improve.

The main council also expressed anxiety regarding the government's plans on social policy. It believes that the limitations on budgetary expenditures, as proposed by the government, may bring about a big reduction in the standard of living of the poorest population groups. That is why it demands that the Countryside Social Fund be restored, that the concept of social policy in regard to the countryside, prepared in 1990, be applied, that farm and nonfarm families be treated the same in matters of state financial assistance, and that conditions for complete implementation of decisions on social security for farmers be guaranteed.

The deputy-members of the agricultural circles are duty-bound to attempt, on the floor of the Sejm, to see to it that the circles' demands are fulfilled. If these efforts prove to be fruitless, they are to vote against acceptance of the assumptions.

The minister of agriculture and food economy, Gabriel Janowski, took part in the deliberations. He assured those assembled that the government's relationship to agriculture is favorable, but he also emphasized that the government has no way of giving farmers more help at the present time.

Rural Solidarity Seeks Farm Credit

92EP0298B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 5 Mar 92 p 1

[Article by Edmund Szot: "The Solutions Are Correct but Unacceptable"]

[Text] On the same day and at the same hour that the meeting of the main council of the National Union of Farmers, Agriculture Circles, and Agricultural Organizations, took place in the Ministry of Agriculture and Food Economy, Minister Gabriel Janowski met with the leadership of Rural Solidarity. Urgent agricultural matters were discussed, i.e., credits, repayment of debt, application of minimum prices, protection of the domestic food market.

After the talks, the union's position on credits to agriculture was presented. This was considered to be the most urgent matter, and rightly so, and one on which the government has already made some concrete decisions. Unfortunately, this position was formulated in such a way that it is not really known what the union members are trying to say. The union believes that the measures and solutions applied by the government regarding credits for agriculture are correct as to the mechanism accepted, but that they do not solve the problem of credits for agriculture. That is why the union cannot accept the government's proposal and demands that steps be taken immediately to provide farm credits at a fixed rate of interest per year. At the same time, it gives assurance of its readiness to cooperate on this matter.

Fortunately, there was much more clarity on other questions. For example, it turns out that regardless of how large the budget's share in the interest payments on credits for farmers will be, some of them will gain nothing by this. The cooperative banks that finance them simply have no money. Although the vice president of the Food Industry Bank said that this applies to only one out of five cooperative banks, it appears that the scope of this phenomenon is much greater.

Minister Gabriel Janowski promised to take up this matter at the next meeting of the Council of Ministers, which, perhaps, will agree to print additional money. The minister mentioned, in passing, the role of the banks' supervisory councils (these councils are, in the main, made up of farmers), which consists of watching that the banks not make "business" on the peasants, because they were established to grant the cheapest possible credits.

Other issues were discussed in less detail. The matter of debt reduction is the ongoing assignment of an applicable committee and detailed decisions of the Council of Ministers on the subject of minimum guaranteed prices had not yet been published at the time of the talks.

EBRD Chairman on Aid Projects for Poland

92EP0295C *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 3 Mar 92 p 1

[Article by Danuta Walewska: "I Have Priorities but No Favorites"]

[Text] "I can say nothing yet about the extent of the assistance that the European Bank for Reconstruction and Development (EBRD) will give for the Polish universal-privatization program," said the president of this financial institution, Jacques Attali, at a press conference on 3 March.

The EBRD president is in our country for the opening of an office in Poland and is also making a routine visit to a member bank. He will also meet with members of the Polish Government. On Monday, Attali was received by the prime minister, Jan Olszewski, and also spoke with the minister of finance, Andrzej Olechowski, and the director of the Central Planning Office, Jerzy Eysymontt.

The talks were about problems which the EBRD president described at the press conference as being disturbing, namely the Polish budget deficit (if it indeed will be 5 percent of the GNP then there will be no cause for fear) and control of the money supply. President Attali emphasized the role of the National Bank of Poland in this regard and his view on financing the budget deficit, which, in his opinion, can easily change into hyperinflation. He underscored the necessity of maintaining control over the money supply. "If the Polish authorities are indeed able to keep inflation at the 40-percent level, as is envisaged, then this difficulty can be deemed to have been overcome. But the pace of structural reforms, particularly in the financial sector, may be reason for anxiety." In Attali's opinion, one of the conditions for Polish success is speedy implementation of reforms.

"I will return to London with more positive opinions than heretofore concerning the ability of the Polish Government to implement this type of hard policy. We will willingly help the Poles so that this success can be achieved more easily," said the EBRD chief. "We are able to spend as much money as is needed. This can be technical assistance, loans, or lines of credit. If the bank's reserves (which are now 10 billion ECU [European Currency Unit] to divide among all member-countries) are not sufficient, we will find the money elsewhere. Our bank can also be the guarantor of well-documented projects."

However, it is precisely these well-prepared programs that are the biggest problem. Attali complained that this

is the weak point of all the member-countries. It is for exactly this reason that while the bank has been operating in Poland for almost a year, only five credit applications have qualified for acceptance—for modernization and expansion of the heating network, for cellular telephones, two for the food industry (coolers and food-storage warehouses), and one for the banking sector, for a total sum of 130.64 million ECU.

Four of these projects are in private hands, one in state. President Attali admitted that that is what the policy of his bank will be: assistance primarily to private enterprises so that they in turn can help state enterprises and take over their work forces. He described the fact that today 25 percent of the GNP in Poland comes from private enterprises as very optimistic.

EBRD is also ready to help us integrate with EC as quickly as possible and will press for the opening up of EC markets to Polish products. However, when asked by an AFP correspondent about his opinion on the division by Poland of the quota for duty-free export of automobiles to our country, Attali countered that he understands Warsaw's decision because it is concerned primarily with attracting important investors, but over the long term he is definitely against discriminating for or against any country in opening up a market.

The priority program of assistance to our country will now be the participation of the Bank in universal privatization, which includes 200 enterprises. EBRD, obviously, will not finance this itself, but will supplement Polish funds.

Asked by RZECZPOSPOLITA which of the member-countries makes the most efficient use of the funds granted by the London bank, Attali insisted that he has no favorite. Nevertheless, Poland, Hungary, and Czechoslovakia know how to use the funds well. At the top of the list are Hungarian private enterprises and Romanian state enterprises.

At the conclusion of the press conference, Jacques Attali contradicted the statement made by the government's press spokesman, Marcin Gugulski, that during his (Attali's) visit with the prime minister, he expressed the concern of international institutions about the financial situation in Poland. "I spoke only in my own name," he said emphatically.

Levi Strauss: Plock Selection, Production Noted

92EP0294A Warsaw GAZETA WYBORCZA in Polish
9 Mar 92 p 12

[Article by Robert Luft, Lodz correspondent: "For Plock This Investment Is a Star From the Sky: To Win Strauss"]

[Text] "No one can feel lonely at Levi Strauss," affirms Andrzej Kalita, director of the Plock firm. "Whoever joins the large family of Levi Strauss should find their

own place in it. But there is one exception," he smiles, "we don't want any enamored couples in the firm. It interferes with work."

Two weeks ago, the Levi Strauss firm in Plock began production. There are already 182 employees, including 145 seamstresses. In the production hall stand 200 textile machines of the best world-wide firms: Pfaff, Union Special, Oswald, and Cherry Tree.

All the sections are already active: the production hall, sewing room, laundry room, and ironing room. The sewage treatment plant and gas boiler room are operating. The warehouses will soon be ready.

The firm produces 1,000 pairs of trousers daily. "This is just the beginning," says Director Kalita. "We will reach full production in 20 months."

Lodz Lost, Plock Won

In the spring of 1990, talks between Levi Strauss and the Lodz authorities ended in a fiasco. Pawel Wojciechowski, press spokesman for the president of Lodz, blames the Ministry of Industry for this. Levi's proposed a rent of 40 cents a square meter in the Andrzej Strug Cotton Industry Plant, but the ministry demanded \$1.20.

"It was evident from the documents that Levi's was interested in selling finished products in Lodz," adds Wojciechowski.

In October 1990, Levi Strauss withdrew its own proposal for Lodz. Senator Andrzej Celinski invited investors to Plock.

Petrochemistry Will Lend, the Town Will Lease

"Discussion was brief," says Celinski. "I proposed leaving for Plock and beginning negotiation."

In the same month, it was initially agreed that the plant would be built on the premises of the Plock Voivode Enterprise of Internal Trade (WPHW). The town would buy these grounds from the WPHW and lease it for 30 years to Levi Strauss. Thanks to the efforts of Voivode Jerzy Wawaszczak, Plock Petrochemistry loaned the town 7 billion zlotys [Z] for this purpose. The loan was repaid before March 1991. The WPHW workers were guaranteed priority in employment at the Levi Strauss plant.

In the final agreement, signed in March 1991, the president of Plock, Andrzej Dretkiewicz, considers it to be very beneficial for the town. An investor will pay tax on his earnings, but will not have to pay income tax for six years. In case Levi Strauss withdraws, the plant will become the property of Plock. The firm is guaranteed duty-free transport of production materials to Poland.

"In Spain," explains the plant director, Andrzej Kalita, "Levi Strauss did not have to pay taxes for 20 years, and the plant buildings were given to the firm free of charge."

The Plant's Predeadline Completion

In November 1990, before the conclusion of the final agreement, the town authorities opened up the plant's construction to bidding. The Krupinski brothers' private firm was selected out of four Plock firms. The Krupinskis had to put in equipment, set up a boiler room, "accident" station, sewing and laundry rooms, production halls, and a social area.

The cost of building the plant is estimated at \$1.5 million. The work was begun in July 1991 and was to be completed in March 1992.

"Over 250 people found work when the plant was being built. They earned Z3-Z3.5 million," says Zbigniew Krupinski. "Work is nearing completion. We finished building the plant before the March deadline."

The Swiss Teach Sewing

The guard from the Popielski Agency of Security and Detective Services strolls along the gate. He drives away panhandlers.

"So far, over \$3 million has been invested in the plant's construction," says director Andrzej Kalita. "The machines brought in are worth \$8 million."

What strikes one the most upon entering the production hall, is the cleanness, space, perfect lighting, and the quiet, broken only by the music flowing from the overhead speakers. In the social area are sparkling clean washstands with showers, cloak-rooms, canteens, and toilets.

Machine maintenance is taught by specialists from Geneva, aided by video tapes with the recorded sewing instructions of the famous Leviites.

Free Dinner, Free Doctor

"The most important thing is that we managed to create new jobs," says Voivode Wawszczak. "In Plock, for 120,000 inhabitants, there are over 19,000 jobless, almost 43 percent unemployed. I am convinced that a world-renowned firm will draw other investors. One can already see a certain economic revival in the town."

Before the end of the current year, 400 people will be employed in the plant. The goal is 1,200. In addition to this, there are workers of transportation and supply firms, who are already working with the plant.

Anka applied because she heard there would be good working conditions and high wages.

"I was a little afraid because I have never sewed," she says. "But my fear went away when I saw that they really want to teach everything here calmly."

Now she only fears whether she can cope with the requirements. Many of her colleagues, who initially hesitated, are now awaiting their turn to work at Levi Strauss.

The average salary at the plant exceeds Z2 million. Agreements with workers are signed for a three-month trial period. Whoever proves himself will stay.

The workday will last from 0730 to 1600 with a half-hour break for a free lunch 1230 to 1300 and two 10-minute coffee breaks. Health care will also be free. A nurse and doctor are already employed at the plant. Five people are working in the administration. There will be 10 of them.

The director of the plant, Andrzej Kalita, won the competition for this position before it was yet known that Levi's would be built in Plock. A graduate of Warsaw Technical Institute, he was the representative of the Polish Aviation Plant in North Africa, and taught at the Upper Aviation School in Libya. He defeated 110 rivals in the competition for director.

Senator and President Stand in the First Rank

"For Plock, this investment is a star from the sky," evaluates Andrzej Celinski. "Levi's sells its products in 80 nations, with an annual profit of over \$500 million. There was a serious danger that it would pass us by to Turkey. Luckily, this was averted."

The president of Plock, Andrzej Dretkiewicz, affirms that, thanks to the proper approach to Levi Strauss' proposal, they are managing to attract foreign capital to the town. "Right now I already have the next investor," he says. "I can still not reveal who it is, but the doors in Lodz were also closed to him."

President Dretkiewicz is very satisfied by the fact that, in spite of rumor, no one from Warsaw helped him, besides Senator Celinski.

"We surely have been lucky," he says. "I already do not have to help Levi Strauss. Now it is helping us."

In a poll for the most popular and effective politician in the Plock region, Celinski and Dretkiewicz defeated the others decisively.

[Box, p 12]

Levi's has already opened eight stores in Poland (in Gdynia, Krakow, Warsaw, Poznan, Wroclaw, Chorzow, Bialystok, and Lodz). Stores in Radom and Plock are being prepared for opening. There will be 30 of them altogether.

The Levi Strauss plant in Plock sews 1,000 pairs of trousers daily. This year, it will produce a million of them. The goal is 3 million per year. In the future, it will also sew short overcoats.

Sixty percent of production is designated for export, mainly to Scandinavia, the European Common Market, the United States, and, in the future, perhaps also to Russia.

The price of trousers ranges from Z300,000 to Z580,000. Short overcoats will cost between Z590,000 and Z770,000.

Duty-Free Zones: Ownership, Investors, Prospects
92EP0295A Warsaw RZECZPOSPOLITA (ECONOMY
AND LAW supplement) in Polish 5 Mar 92 p II

[Article by Katarzyna Jedrzejewska: "A Magnet for Capital"]

[Text] "When I took over the function of head of the Main Customs Office (GUC), I learned that I am to administer 16 zones—unfenced ones, at that," Mirosław Zieliński admits. There was even talk about establishing a duty-free zone (WOC) covering all of Warsaw, all of Kraków, and even all of western Pomerania. In Zieliński's opinion, this was a typical sign of the flight of the erstwhile government from the present Polish economy. It was a "blind" liberalization because it was not preceded by legislative work. As a result, we have today as many duty-free zones as there are in all of West Europe. But in reality only two are functioning.

By 30 June 1992 all duty-free zones must adapt to new regulations, otherwise they will be liquidated. First of all, their ownership relationships must be in order. The administrator of the duty-free zone must be the owner of the land or its user-in-perpetuity. As of 1 March, only two zones fulfilled this requirement: in Swinoujście and in Ścigacie. Tadeusz Kucharuk from the Duty-Free Zone Consultative Council assures us that in Malaszewicze also, the matter of ownership has been regulated: The firms which intend to conduct activities here are users of the land in perpetuity. According to Kucharuk, a holding company would have been a better solution. The Main Customs Office insists that there be a single owner. And the zone must be fenced. In accordance with the customs law amended on 20 July 1991, the administrator of the zone must take care of this. The cost is too large for the state to share in the financing. When duty-free zones began to be established, fencing of one meter of land cost one million zlotys [Z], and the zones covered a few hundred hectares. Therefore, many of them remain unfenced. After 30 June this will no longer be possible.

According to Kucharuk, it is not the lack of capital which stands in the way of creating duty-free zones. The total founding capital of the firms operating on the duty-free zone land in Malaszewicze amounts to Z27 billion. Investors in many countries—Japan, France, the United States, Sweden, Austria—are interested in duty-free zones in Poland. "It pays for outside investors to invest even large sums of money. This is capital which creates new firms, and not capital which strives only to take over already existing firms," maintains Kucharuk. In his opinion, the legal situation in Polish duty-free zones is a deterrent. "And yet we have trump cards which we should use," he adds.

The most important one is location. Over half of the duty-free zones were located along the Oder [River], a few are along the Baltic Coast, and there are one each on the main transit routes: Malaszewicze on the east-west route, and Cieszyń on the north-south route.

Why should we establish duty-free zones? According to Kucharuk, there are many arguments in favor of doing so. In the case of trade with the east, the duty-free zone as an extraterritorial zone facilitates barter exchange. The commodities being exchanged could meet here. Establishing duty-free zones on the transit routes will increase the flow of commodities through our country. "But the main profit comes not just from transit," says Kucharuk, "but mostly from various types of services: warehousing, finishing, loading, transloading, unloading." These zones would also be useful for firms that are involved in reexporting. "German firms, Dutch firms, are making money on reexport today, why not Polish firms?" asks Kucharuk.

Finally, duty-free zones could become areas of stability and simplified administrative procedures, suggests Kucharuk. "This could be a magnet for foreign capital. If it begins to invest in a duty-free zone, in the future it will attempt to go beyond its borders. The Hungarians have already taken advantage of this."

In developed countries, classic duty-free zones continue to exist in Germany, Great Britain, Sweden, Spain, Italy, Greece, Finland, Denmark, Ireland, Portugal, Yugoslavia, Austria, Turkey, in the Arab countries (e.g., Dubai), Latin America, and Asia (e.g., Singapore and Hong Kong).

There are about 100 duty-free zones in the United States. There are also duty-free zones in Bulgaria, Romania, Hungary, and Czechoslovakia. Work is underway on establishing special economic zones in Russia and Belarus. All in all, there are approximately 800 duty-free zones of various character throughout the world. It is estimated that 5-9 percent of world-trade turnovers are conducted through these zones.

Polish Rail Defends Use of World Bank Loans

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[Article by Danuta Frey: "A Favorable Agreement"]

[Text] "The loan from the World Bank designated for modernization of Polish railroads, or strictly speaking, for implementation of the first transport project, would be a favorable agreement for us," says Jerzy Zalewski, assistant director of the general administration of the State Railroads (PKP), in reply to the article published in our newspaper titled, "Know How To Take the Money" (RZECZPOSPOLITA 14 June 91) discussing the results of the inspection of PKP conducted by the Supreme Chamber of Control.

"This agreement, which speaks of \$145 million that the World Bank will loan us during 1990-95, was concluded in accordance with the 'general terms' applied by the World Bank to all borrowers. The terms provide that beginning 60 days after the agreement is signed, the bank adds on an interest fee for credit readiness amounting from 0.25 to 0.75 percent of the size of the loan.

Therefore, there can be no talk about any kind of 'fault' on the part of PKP. Paying interest for 'readiness' is not the commission of 'basic errors' by PKP, but is the result of the normal course of the implementation of a World Bank loan, for all borrowers. The most that we could have done is not take the loan," says Zalewski.

Nor is PKP neglecting to do what the agreement required. Indicators even better than those envisaged were obtained. For example, the World Bank anticipated that during the first year of implementation, i.e., 1991, 5.5 percent of the granted credits will be utilized. Yet 9.4 percent were utilized, i.e., \$15.9 million. By 31 December 1991, PKP had concluded contracts for purchases of machines and equipment for \$39 million, which is 26.9 percent of the credit.

Even before the loan was signed, and in any case, in accordance with the World Bank demands, it was decided that 70 facilities shops would be separated from the PKP structure. Because it was precisely for these shops that some of these credits would be designated, there were basically only two possibilities: Either abandon the idea of reloaning these sums to the shops and try to designate them for other purposes, or reloan the granted amount on terms agreed-upon by the bank. The second solution was chosen.

But in order to put it into effect, the minister of transportation and navigation had to issue an order on the formation of a new enterprise; the factories had to prepare a financial forecast up to 1998 (according to examples given by the World Bank); the consent of the Ministry of Transportation and Navigation also had to be obtained for the reloaning agreement, and approval of this agreement by the World Bank. But already by the end of January 1992 agreements were signed, practically speaking, with all the plants (with the exception of the joint venture company ABB ZWUS-Signal (Ltd.) the

approval of the ministry was obtained, and the agreement was sent to the World Bank for its confirmation.

As part of the agreement with the World Bank, PKP agreed to suspend haulages on 1,000 km of unprofitable lines by the end of 1995—200 km a year. Meanwhile, last year, haulages were suspended on 611 km of line, and in January 1992, on another 264 km. Last year 47,500 workers were dismissed, and this year another 25,000 will leave. Superfluous locomotive shops, wagon shops, traffic centers, and other railroad-organizational units will be closed, and haulages will be made more efficient.

The large drop in the latter (in peak years the railroad hauled 430 million tonnes of freight yearly, and even in 1988 the figure was 384 million tonnes—this year it is anticipated that at least 200 million tonnes will be hauled) and the increase as of 1 January 1992 (by 290 percent) of depreciation allowances has brought about a situation in which obtainment of the economic and technical indicators to which PKP committed itself in its agreements with the World Bank, has become practically impossible. Nor does the price increase (30 percent) of railroad tickets which went into effect on 1 March 1992, improve PKP's situation significantly or eliminate the deficit.

But already during the negotiations on the agreement, in a negotiation protocol dated March 1990, an entry was made regarding the possibility of submitting a request to the World Bank to revise the indicators, which PKP did in December of last year.

Work is now underway in PKP on a second transportation system and attempts are being made to obtain another loan from European banks and the World Bank. The second system is supposed to cover the basic modernization of the Rzepin-Warsaw-Terespol artery, i.e., the east-west transit line. The main goal, however, is the transformation of PKP into an efficiently operating enterprise.

Editorial on Deputies' Change in Party Allegiances

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in Romanian 8 Apr 92 p 1*

[Editorial by Raluca Stroe-Brunariu: "Parliament at a Loss"]

[Text] It has become increasingly obvious that, with every passing week, the present Parliament is moving further away from the initial configuration it acquired in the wake of the 20 May elections, thus failing to coincide with the current electoral options, due to international changes. Normally, the legislative forum—which has entered an internal crisis reflected by the conflicts within the National Salvation Front [FSN] and its splitting, on the one hand, and the fear of a change in the electorate's political choices—should have been dissolved and new elections held immediately. This would have been the traditional solution for coming out of the crisis and entering the normal routine. However, the country's current leadership is afraid of this very return to normalcy, hence its stubborn postponement of the elections, instead of speeding them up. This situation is due to the fact that, at the highest level of power, things are not very clear about the strategy to be employed, particularly about the people President Iliescu can rely on, while, at the parliamentary level, the majority of the "chosen" ones can feel the end of their political career and, consequently, they are hanging on to each extra day in power. For the time being—by totally ignoring those who voted them on 20 May—they continue to change one party for another, depending on their feelings of antipathy or empathy for one or another leader or the chances they can reckon with for acquiring important positions again.

The splitting of the parliamentary groups started a long time ago, but since it only threatened the opposition (the

split within the National Liberal Party) at that time, the majority party accepted, even with a certain amount of satisfaction, the appearance of new parties in the Parliament. However, this movement began to acquire some scope, and with the significant split of the FSN-20 May group, the legislative forum was penetrated, almost unawares, by parties that either did not exist on 20 May (the Traditional Social Democratic Party led by Mr. Cornescu) or did not win enough votes to be represented in Parliament (the case of Mr. Manzatu's Republican Party). Again, there was no resistance from the "chosen" ones to this more than obvious irregularity. The closer we got to the electoral campaign, the greater the number of resignations from parties represented in the Parliament and the respective deputies' adherence to parties not represented in the high forum. Thus, one day we woke up with two extremist parties represented in Parliament—the Romania Mare and the Socialist Party of Labor [PSM]. Only when a deputy announced that he joined Ilie Verdet's party [PSM]—against a background of huge migrations in Parliament and of some spectacular resignations—did the members of the legislative branch finally realize that things have gone too far. The arguments used by those who addressed the forum were more or less justified, but often veiled in a demagogic language. For the time being, the Parliament forbid the migration of parliamentarians from one political grouping to another, thus blocking the penetration of other parties in the legislative forum. However, it is hard to imagine that this decision will calm down the tense atmosphere in Parliament, as long as disorientation, fear of losing their privileges, and the prevailing communist mentality continue to characterize the majority party's deputies in Parliament. Anyway, they no longer represent—and they proved it—the electorate who voted them in on 20 May [1990]. Our legislative forum is being kept artificially alive, thus illicitly postponing our joining the other countries that definitely opted for a democratic system, without compromises.

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